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Daily Report

East Asia

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Japan

Tokyo Concerned About Passage of U.S. Supercomputer Bill

OW2706102096 Tokyo KYODO in English
0953 GMT 27 Jun 96

[FBIS Transcribed Text] Tokyo, June 27 KYODO — Japan is concerned about the U.S. House of Representatives' passage of a bill Wednesday [26 June] that may bar a U.S. Government body from purchasing a supercomputer from NEC Corp. of Japan, the top government spokesman said Thursday [27 June].

Tokyo has already related its concern to Washington through diplomatic channels because the bill, which will now be put to a vote in the senate, may face problems under World Trade Organization (WTO) rules, Chief Cabinet Secretary Seiroku Kajiyama told a press conference.

Prime Minister Ryutaro Hashimoto, however, is unlikely to take up the issue at a meeting with President Bill Clinton later in the day in Lyons, France, given his desire not to go into individual bilateral trade rows, he said.

Both Hashimoto and Clinton are in Lyons to attend a three-day annual summit of the Group of Seven (G-7) industrialized nations starting later Thursday.

Kajiyama was commenting on the 1997 appropriations bill for the federal research body. The legislation has a clause calling for suspension of the salaries of staff who approve the purchase of any supercomputer determined by the U.S. Commerce Department as being sold below fair market value.

While the bill does not specifically name NEC, the Commerce Department has been pressing the national science foundation to cancel the contract it awarded last month involving the use of an NEC supercomputer, arguing the deal constitutes a bid below market value, an allegation that NEC denies.

Kajiyama added there is room for "sufficient discussion" on whether the deal constitutes dumping.

A senior Foreign Ministry official, speaking on condition of anonymity, also said of the passage of the appropriations bill, "I'm afraid the legislation could run counter to WTO rules."

The official said the substance of the measure is "outrageous."

Japan: FTC Official Comments on Photographic Film 'Dispute'

OW2706081696 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 27 Jun 96 Morning Edition p 5

[FBIS Translated Text] Shogo Itoda, director of the Executive Office under the Fair Trade Commission [FTC], commented on the Japanese-U.S. dispute over the photographic film market at a news conference on 26 June. He stressed that the FTC plans to place priority on investigating the facts in order to wipe away U.S. concerns over the FTC's handling of the Antimonopoly Law, saying: "We would like to respond to U.S. calls by conducting a general investigation (on Japan's photographic film market)." Regarding the U.S. Eastman Kodak Company's filing a complaint (report) with the FTC, Itoda said: "We will make a decision when we do receive the report."

Japan: Analysts Predict Difficulty in Aviation Talks With U.S

OW2706024496 Tokyo KYODO in English
0155 GMT 27 Jun 96

[FBIS Transcribed Text] Washington, June 26 KYODO — The United States intends to place priority on urging Japan to approve a new route for two U.S. airlines at the U.S.-Japan talks that resume Thursday [27 June] on the bilateral aviation accord, a U.S. official said Wednesday.

The official also said the country will continue to urge Japan for unlimited approval of the so-called "beyond rights" in accordance with the 1952 pact allowing U.S. aircraft to fly on to third countries after putting down at a Japanese airport.

Japan will try to put a brake on expansion of the rights at the talks in the passenger sector, so the negotiations will certainly be rough going right from the beginning, analysts said.

The U.S. carriers United Airlines and Northwest Airlines have applied to Japan's Transport Ministry to open the pending route between the Kansai international airport and Jakarta.

"We are dealing with existing rights being denied for two carrier flights...Because it is a serious problem," said the official.

He added that "we have no obligation to start new negotiation," to make the U.S. stance clear that it will not accept Japan's proposal to revise discrepancy between the two parties unless Japan approves the U.S. demands.

Tokyo Reverses Stand on Peaceful Nuclear Tests

OW2606160296 Tokyo KYODO in English
1433 GMT 26 Jun 96

[FBIS Transcribed Text] Geneva, June 26 KYODO — In a reversal of its policy, Japan on Wednesday [26 June] supported a revised draft nuclear test ban treaty that sanctions a Chinese proposal to reconsider allowing "peaceful nuclear explosions (PNEs) in 10 years."

Japanese Foreign Minister Yukihiko Ikeda gave Tokyo's support when he met Dutch diplomat Jaap Ramaker, who chairs negotiations on a Comprehensive Test Ban Treaty (CTBT), and envoys from the 65 member states of the conference on disarmament, Japanese diplomats said.

China has warned that it may walk away from the CTBT if the treaty outlawing all nuclear blasts is not reviewed in about 10 years to examine whether PNEs should be allowed.

But Japan had long opposed reviewing the treaty in 10 years to pave the way for allowing pnes.

In his meetings with ramaker and the CTBT negotiators, Ikeda stressed the need to use the revised draft presented by ramaker as a basis for negotiations and warned the treaty could not be signed within this year if the negotiating parties fail to reach agreement by Friday, a deadline set for the negotiations, the Japanese diplomats said.

Ramaker voiced determination to wrap up the negotiations successfully by the deadline, but acknowledged that his informal proposal for the treaty's entry-into-force provisions had been rejected, the diplomats said.

The issue of what provisions should be set on the treaty's entry-into-force has been one of the major sticking points in the negotiations, which began in January 1994.

Ramaker said he will shortly present a new compromise on the issue to replace his earlier proposal that the treaty come into force in five years if it is ratified by 75 nations, the diplomats said.

Britain and Russia have opposed the proposal.

Under the current draft, the five declared nuclear powers — Britain, China, France, Russia and the United States — as well as the three nuclear "threshold" states — india, israel and pakistan — must ratify the treaty before it can become law.

Ikeda told ramaker that Japan will take a flexible stance on the issue of the treaty's entry-into-force provisions to support a compromise if it is proposed, the diplomats said.

In a meeting with India's ambassador to the United Nations in Geneva, Arundhati Ghose, Ikeda called on India to reconsider its decision not to sign the treaty in its present form, they said.

Ghose stopped short of giving a clear answer and noted she would like to talk with the Japanese envoy on the issue.

India said last week it would walk away from the treaty if no amendments are made, complaining that it would give an edge to major powers rich enough to maintain and further refine their nuclear weapons by sophisticated methods like computer simulation.

Japan: Ikeda Expected To Meet Russia's Primakov

OW2606233596 Tokyo KYODO in English
2311 GMT 26 Jun 96

[FBIS Transcribed Text] Lyons, France, June 27 KYODO — Japanese Foreign Minister Yukihiko Ikeda will confer in this French city on Saturday [29 June] with Russian Foreign Minister Yevgeniy Primakov about bilateral relations and other issues, Japanese officials said Wednesday.

The officials said the foreign ministers will meet at a Lyons hotel Saturday morning.

Ikeda flew into Lyons from Geneva on Wednesday evening to attend the annual meeting of the Group of Seven (G-7) major industrialized countries that begins Thursday.

The Lyons summit brings together the leaders of Britain, Canada, France, Germany, Italy, Japan and the United States plus the European Union.

Ikeda's talks with Primakov are expected to cover the Russian presidential election, a Russo-Japanese territorial dispute over four Russian-held islands off Japan's northernmost main island of Hokkaido.

Primakov caught the Japanese ire last week when he reportedly said the territorial row should be shelved for resolution in the distant future.

Japan has demanded the return of the islands — Etorofu, Kunashiri, Shikotan and the Habomai group of islets — which were seized by the then Soviet Union in the closing days of World War II.

Ikeda will later visit Ukraine and Bosnia-Herzegovina before returning to Tokyo on July 4.

Japan: Transport Ministry Approves Nine New Air Routes

OW2706034796 Tokyo KYODO in English
0331 GMT 27 Jun 96

[FBIS Transcribed Text] Tokyo, June 27 KYODO — The Transport Ministry on Thursday [27 June] issued licenses for nine new air routes — six international and three domestic — for three domestic airline companies.

The approvals include inauguration of Kansai-Frankfurt and Frankfurt-Rome routes from Sept. 8 and a Kansai-Milan route by All Nippon Airways [ANA] from Sept. 9.

ANA will increase flights to Rome to five weekly round trips, adding to two Kansai-Rome direct flights with the routes via Frankfurt and Milan.

ANA also gets a Kansai-Yangon [Rangoon] route July 16 with two weekly round trips, increasing to three from Oct. 27, and a domestic daily Sendai-Matsuyama route from Sept. 1.

Japan Air System got approvals for a Sapporo-Hiroshima flight and a Sapporo-Fukuoka flight from Aug. 2 and Sept. 2 respectively. The four weekly flights will go daily from Nov. 1.

Nippon Cargo Airlines gets weekly round trips from Narita to Manila and Manila to Singapore for cargo from Oct. 7.

Japan: DPRK Investment Mission Scheduled To Visit in Mid-Jul

OW2606124096 Tokyo KYODO in English
1212 GMT 26 Jun 96

[FBIS Transcribed Text] Tokyo, June 26 KYODO — A North Korean mission will visit Japan in mid-July to lure Japanese investment in a free economic and trade zone under development by Pyongyang, sources close to Japan-North Korea relations said Wednesday [26 June].

The mission will hold investment seminars in Tokyo on July 15 and 16, as well as others in Osaka, Niigata and Toyama Prefectures, the sources said.

It also plans to meet with officials of the Federation of Economic Organizations (Keidanren), Japan's most influential business group, they said.

Among the mission members will be Kim Chong-u, vice chairman of the External Economy Commission, who is said to be a close aide of North Korean leader Kim Chong-il.

North Korea is developing the free economic and trade zone on its borders with China and Russia.

Japan: SDP Board Chairman To Invite DPRK Worker Party Delegation

OW2606080196 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 25 Jun 96 Morning Edition p 2

[FBIS Translated Text] Policy Board Chairman Shigeru Ito of the Social Democratic Party [SDP] held talks with Foreign Minister Yukihiko Ikeda and other officials at the Prime Minister's official residence on 24 June. At the talks, Ito indicated the SDP's intention to invite a delegation from the Workers' Party of the DPRK again. In response, Ikeda said: "The on normalization of the Japan-DPRK diplomatic ties should be promoted between the two governments. In promoting the party diplomacy, if talks should turn on the food aid issue, it is desirable that the party will discuss the issue on the precondition of [the DPRK's agreement to] the quadrilateral talks, (proposed by both the United States and the ROK)." In this way, Ikeda called on the SDP to take precautionary measures.

Japan: Former Soldiers Storm Representative Office in Taipei

OW2406095996 Tokyo KYODO in English
0944 GMT 24 Jun 96

[FBIS Transcribed Text] Hong Kong, June 24 KYODO — Some 20 Taiwanese war veterans who served for Japan during World War II stormed into Japan's Taipei representative office Monday [24 June] morning, breaking glass and demanding higher compensation, an office spokesman said.

The veterans, from the Taiwan Former Japanese Army Soldiers and Families United group, are dissatisfied with Japan's final offer to compensate the soldiers with 120 times their unpaid remuneration.

The soldiers are threatening to continue their actions everyday until their compensation is increased. They are looking for an increase of 2,000 times their unpaid remuneration.

However, in an effort to begin repayment, Japan's interchange office has already begun registering people for compensation pay. Veterans from other organizations were lining up to register when the incident occurred, the spokesman said.

The veterans are citing the rise in inflation and cost of living as factors in demanding an increase.

Since Japan and Taiwan do not have formal diplomatic ties, resolving this issue has been difficult. Although the Taiwanese Government would like to see an increase in compensation pay, Japan has apparently decided not to make changes.

Taiwanese were forced to serve in the Japanese Imperial Army during the war as Taiwan was a colony of Japan from 1895 to 1945.

Tokyo To Extend 6.6 Billion Yen to Jamaica

OW2706005096 Tokyo KYODO in English
2304 GMT 26 Jun 96

[FBIS Transcribed Text] Tokyo, June 27 KYODO — Japan will extend a low-interest loan of up to 6.64 billion yen to Jamaica for a project to overcome a water shortage, Foreign Ministry officials said Thursday [27 June].

Notes on the yen-denominated credit were exchanged between representatives of the two countries in the Jamaican capital of Kingston on Wednesday, the officials said.

The untied 25-year loan will have a grace period of seven years with an annual interest rate of 2.5 percent for most of the loan, they said.

The money will be used to stave off a water shortage in the metropolitan area in Jamaica by developing new water sources and improving water supply, the officials said.

Tokyo To Grant 1.3 Billion Yen to Nicaragua

OW2706005196 Tokyo KYODO in English
2305 GMT 26 Jun 96

[FBIS Transcribed Text] Tokyo, June 27 KYODO — Japan will grant up to 1.32 billion yen to Nicaragua for projects to build a hospital and boost food production, the Foreign Ministry said Thursday [27 June].

Notes on the economic assistance were exchanged between officials of the two countries in the Nicaraguan capital of Managua on Wednesday, the ministry said.

The grant comprises 823 million yen for a scheme to build a hospital in Granada, west of Managua, and 500 million yen to help increase the nation's food output, it said.

Japan: Impact of Communications Reform: Splitting Up NTT

962A0048A Tokyo EKONOMISUTO in Japanese
26 Mar 96 pp 53-58

[Article by Mitsuharu Ito, professor emeritus, Kyoto University: 'The Final Outcome of the Decision on Splitting Up NTT']

[FBIS Translated Text]

Special Report—Shock From Telecommunication Reform

Telecommunication Council Report—Conclusion on How To Split Up NTT Was Reached in This Manner

The Ministry of Posts and Telecommunications' Telecommunications Council report on the status of the Nippon Telegraph and Telecommunication Company (NTT) was delivered to the Ministry of Posts and Telecommunications (MPT) on 29 February, bringing an end to about one year of deliberations. Debate on this issue was conducted in a thorough manner to include 25 special committee meetings and the formation of several special subcommittees to handle discussions as well as the formation of a subcommittee to handle the compilation of the report itself.

I have been involved with a number of government councils in the past, but the recent special committee appointed to handle the NTT issue was characterized by the absence of any statements by the administrative bureau. Generally, the administrative bureaus of councils do preliminary work, address the councils, and lead council discussions, but in the case of this council, neither the bureau nor department chief of the MPT addressed council sessions. Initially, the council deliberations faced difficulty in running smoothly and a diversity of opinions were presented, but in the end the result was thorough discussions. Next, the discussions flowed to form a consensus and the committee reached a unanimous conclusion. Notwithstanding, a chairman of an NTT subsidiary was quoted in the newspapers as saying that council discussions were held under the guidance of the MPT. In response, some council members stated that legal action should be taken against the quoted chairman. Newspaper reports and the actual facts were diametrically in conflict to the degree that council members made comments of this nature as well as presenting many unrestrained opinions, but the MPT persisted in its silence. I could not proceed with this article without mentioning this particular fact.

Further, I strongly felt that the nature of NTT had changed completely as a result of the recent council deliberations. Council deliberations were held five years ago on the disposition of NTT and a report recommended that NTT be split into regional and long-distance telephone operators, and I served as the report drafting subcommittee chairperson at that time. I held detailed discussions with MPT and NTT officials in connection with those council discussions. I was able to hear diversified opinions from NTT officials during those council deliberations, but at that time we were not exposed to expressions of opinions. It was not only a

case of opinions not being expressed by NTT officials, but a case where individuals, who had previously expressed a variety of opinions, remained silent.

During the Nippon Telegraph and Telephone Public Corporation days, a diversity of opinions existed within the corporation—I lay claim to some knowledge of such facts as I was a member of the public corporation committee. The expression of a diversity of opinions is a characteristic of Japanese government agencies and even the Nippon Telegraph and Telephone Public Corporation employees exercised such freedom, but it appears that the current NTT has undergone a major change in this respect.

NTT Employees Have Ceased To Exert Themselves

I was appointed as a replacement committee chairman because the initial committee chairman Isamu Miyazaki was appointed a minister, but I stressed to the council members that they should not approach deliberations with any preconceived ideas, because the council was charged with the very important mission of making decisions on the growth of the telecommunications markets of the 21st century. The council members, in reality, embraced a variety of opinions and a considerable number of them felt that NTT could deal with the new age even without being split into smaller companies.

The subcommittee invited many individuals to the meetings for the purpose of hearing an even greater variety of opinions, but a matter which shocked me was that it was not only the long-distance new telephone companies, but also individuals engaged in the telecommunication industry who were having a lot of difficulty with respect to interconnections with NTT. They claimed that the situation was analogous to the 100-Year War and persistently stated that the present situation defied any solution. Individuals who felt that there would be no need to split up NTT, if interconnections were allowed on an unrestricted basis under deregulation, were forced to change their positions when they heard detailed accounts of this nature.

As an example, when a request was made for an interconnection, NTT officials would impose usage conditions by asking what the demand frequency would be, but no clarification would be provided on interconnection fees. Since it was impossible to estimate what usage might be without knowing the proposed interconnection fee, NTT would be asked what it would be, but NTT would not commit itself to a rate. If we were to be objective about this situation, we should point out that certain usage levels could require NTT to add new equipment, making it impossible for NTT to specify an interconnection rate without such data. As a technical matter,

NTT's systems use the same equipment and software for both long-distance and intraurban systems.

In reality, five years ago, the report reflected the necessity for splitting regional and long-distance operations in fairness to the new telephone companies and that identical competitive conditions must be imposed on NTT and the new telephone companies in the long-distance area, but at that time the strong view existed that such action should be postponed because regional operations systems did not exist, interdepartment operating systems were inadequate, and such action could not be implemented until individual revenue and profit projections could be made. In the interim, operating departments would be established to enable departmental revenue and earnings projections, to convert technology and software to enable interconnections wherever necessary, and to take unbundling actions to enable identification of costs and interconnection rates on an individual basis. NTT was supposed to have been informed of this approach.

NTT has engaged itself in research concerning managerial accounting. Accounting of the past represented accounting as a means to provide shareholders information on the amount of revenues and profits made by the company, but accounting in the postwar period has evolved into managerial accounting for use by corporate managers. The new approach provides for accounting of costs in each phase of company operations much like accounting for manufacturing costs for each processing phase for a given product, and such cost accounting is crucial to identifying interconnection costs. Splitting up NTT without such cost data would be difficult and as the report drafting committee chairman, I decided to take the position that NTT should be given a five-year reprieve relative to the split up.

However, NTT has failed to exert any effort in this respect. Even the MPT has taken no action to encourage unbundling prior to coming trends on deregulation. This failure to take action is a very disappointing factor. The recent report contains considerable commentary which is critical of the MPT for this very reason.

Next, telephone operators complain that interconnection fees are excessively high. The new telephone companies and the long-distance operators claim that half of their revenues go to NTT. Interconnection fees in overseas areas have declined, but interconnection fees have been rising as a percentage of overall revenues. The European Union has rules which provide that interconnection fees will be set so that direct costs will represent 80 percent and indirect costs will represent 20 percent of the overall rate, but NTT rates reflect about 80 percent for indirect costs and about 20 percent for direct costs.

Indirect costs can be manipulated in any way desired. Further, fulfilling one of the interconnection conditions requires the submission of a 300-sheet document on top of the fact that such documentation is based on indefinite projections. Accordingly, even if NTT speaks of deregulation and freedom of interconnections, new telephone companies and long-distance operators insist they are unable to enjoy appropriate treatment.

This particular issue gave the council members a major shock. In the midst of council deliberations around September, NTT claimed it would provide for free access to subscriber lines and even newspapers carried signed articles agreeing to such an approach (Such an approach had been sought by the government in March.). Even the research committee of the Fair Trade Commission held discussions on assertions that deregulation of interconnections and deregulation in general would be adequate. However, council members, who were aware of the real situation concerning deregulation of interconnections, responded by saying, "Don't make such reckless statements." At issue was the substance of the statements. It was from such a viewpoint that we came to the conclusion that there was a need for new rules relative to the issue of interconnections and as a minimum we should do as they did in the United States by separating long-distance and monopolistic urban operators and ensure equitable competition among long-distance operators.

If we were to compare this situation with U.S. practices, NTT's posture relative to such interconnection issues would clearly constitute violations of the Antimonopoly Law based on "abuses perpetuated from a predominant position." Further, if we were speaking of monopolistic acts, we must rectify monopolistic structures which lurk in the background. AT&T was split up because it attempted to take advantage of its predominant position when other long-distance competitors entered the market. I would like to say that we should question the intellectual level of the Fair Trade Commission's research committee for its failure to give consideration to such factors. The topic of abuse of predominant positions in connection with NTT was once criticized by former Nippon Telegraph and Telephone Public Corporation officials, impacting on council members. However, there is a difference in attitudes between NTT and AT&T relative to fairness. AT&T was malicious in its approach and added static to interconnections with competitors. Comparatively speaking, NTT has not done anything which could be construed as malicious. Current integrated technical and accounting systems, will not accommodate any actions other than those currently being undertaken. This is the outcome, because the current basic operating policies are in error.

U.S. Regional Telephone Companies Competed by Procuring Low-Cost Equipment

Another factor which changed thinking on the part of the council members was the on-site surveys conducted in the United States and Great Britain. I feel I am capable of making the following observations based on what I learned from the data gathered during those surveys.

Great Britain did not break up British Telecom (BT), but privatized it by selling stock in the firm to the public. I believe that approach had an objective which was inconceivable in Japan. They issued each employee 54 shares at no cost to the employee, thus undermining the concept of a class-conscious society, in an effort to modify social concepts based on class. It, then, assumed a policy designed to increase share value.

BT stock which was initially placed on the market at 130 pence is now trading in the 400 pence range. Face value of the share is 25 pence, but each share pays 13 to 16 pence in dividends. Such returns on investment have been realized through a price-cap policy, imposing a ceiling on telephone rates which are calculated on the basis of the inflation rate minus improvements in productivity. The approach encouraged improvements in technical innovations primarily in long-distance services, a drop in long-distance rates, commensurate rate hikes for local calls, and a major profit boost.

In other words, this was not a case of introducing competitors, but a case of allowing BT to retain its monopoly, and demonstrate to the public that it could convert a poorly operated government-owned business into a high-profit enterprise through privatization. Japan cannot emulate such a policy. However, as an alternative, I would like for the reader to direct his attention to the fact that BT, Deutsche Telecom, and French Telecom are attempting to engage in mutual competition; i.e., interregional competition.

Our on-site survey in the United States covered the White House's Science and Technology Policy Office, Federal Telecommunications Commission, Justice Department's Antitrust Division, members of Congress, AT&T, Consumers' Union which is a consumer advocate agency, Time Warner a consumer of telecommunications services, Solomon Brothers, and New York City. Members of Congress stated they were against the split up of AT&T, but that they were in error. Strong opposition existed relative to the breakup of AT&T, while the Defense Department led such opposition from the standpoint of national security. The Commerce Department opposed the idea because of fear of a decline in technology. The Department of Agriculture opposed the

idea because of fear of regional disparities. Even congressmen joined the opposition movement, but it was truly a case of extreme ambiguity.

The Justice Department's antitrust division consistently opposed the AT&T monopoly. AT&T's monopoly was explicit in that Bell Laboratories, which was a leading global research center, would develop products and have them manufactured in an AT&T subsidiary called Western Electronics. Such products would be used by the 23 AT&T regional telephone companies. U.S. telephone switching gear and telephone instruments were made by this monopoly and even if the Federal Communications Commission tried to set rates based on cost, it was a case where costs were not determined on a fair basis. The Justice Department resolutely insisted that this was a case of an Antimonopoly Law violation, but the administration changed to Republican control which was tolerant of monopoly, leading to a compromise. The compromise resulted in the separation of regional telephone Bells and restructuring into seven separate groups.

Regional telephone companies that left the AT&T fold began buying low-priced equipment. Canadian Northern Telecom offered its switching gear and engaged in competition with Western Electronics which resulted in overall lower prices. Several years later, each of the two companies controlled 45 percent of the market, while the remaining 10 percent went to other foreign firms. Such developments brought major changes to the U.S. telecommunications markets. Initially, speculation had it that the regional operators would lose money, but this did not prove to be the case. The regional Bells were split into seven equal companies for the purpose of inspiring intercompany competition, a move that proved successful. In this connection the split up was not a simple one, but a matter of grouping 23 companies into holding companies through separations and consolidations.

Destruction of Technical Monopoly and Regional Competition

Council members learned of the significance of breakups through the on-site survey. We had thought that retention of regional monopolies in connection with breakups would preclude competition, but we learned otherwise. The opinion that split ups would worsen the situation turned out to be interpreted as being an advocacy for monopolies. The question, then, was what approach should we use? Action was focused on two approaches; i.e., encourage interregional competition and remove the monopoly on equipment centered around technology.

Addressing the latter point in relation to Japan, we find that NTT and equipment manufacturers have engaged in joint development for research and that this relationship has characterized the equipment markets. Market shares of each of the four companies engaged in joint development was about identical in the area of switching gears and it was the top executives of these four firms which had opposed the split up of NTT. The situation differed in format from that which existed with AT&T, but we felt that an issue of technology monopoly existed herein.

It was a situation which called for the introduction of competition. That goal could be reached by the creation of companies unrelated to technical research and joint development of equipment, and procurement of low-priced equipment through solicitation of international bids. Such an approach would cause other companies to follow similar practices. As an example, establish a technology development department in Eastern NTT, but none in Western NTT, and that would force Western NTT to search the open markets for lower-priced equipment. And, that move would impact on Eastern NTT.

Knowledge of council members was used in regard to interregional competition. From 1955 to 1964, the leading private railway company passenger tickets were more expensive than that of the National Railways, but the question is, why are they cheaper now? The answer is that in conducting reviews in connection with the approval of ticket prices, the Ministry of Transport established a three-criteria yardstick and forced each private railway to achieve certain management efficiencies. The resultant interregional competition was criticized as being contrary to public utilities theories of the past, but introduction of that particular approach inspired management efficiencies and ticket prices below those charged by the National Railways. This was a new experiment in Japan which the nation can uphold with pride in the global community. Last year, the same approach was introduced in the decisionmaking process relative to electric and gas utility rates.

The approach is called yardstick competition and was basic to the split up of the telephone companies in the United States. However, simply splitting up the telephone companies did not result in competition. We must introduce policies which impose management efficiencies, while concurrently allowing Eastern NTT to enter into Western NTT territory and vice versa. If the operating environment of Eastern NTT is good, Western NTT will do its best to enter into and compete in Eastern NTT's market. Laying new subscriber cables would be too costly, so the alternative would be to utilize CATV cables or to interconnect with existing subscriber cables. If Western NTT should enter into the

Eastern NTT market through the use of Eastern NTT subscriber cables, it will become aware of the reasonable fee for interconnections based on its own experience. It will be impossible to establish monopolistic rates. There are some individuals who feel that deregulation alone will suffice if an appropriate third-party interconnection-fee-determining agency is established without reference to such an approach. The question is, can a third-party agency determine appropriate rate levels? Great Britain's regulating authority called OFTEL continues to expand and faces difficulty in calculating such rates.

Our council established as one of its major objectives of deregulation the introduction of competition based on mutual market entry into each other's territories by Eastern and Western NTT concurrent with the introduction of new technology. Additionally, the long-distance markets will be completely opened to deregulation simultaneously with separation from regional telephone operators. Temporarily, some predominant positions will exist and asymmetrical controls may have to be exercised, but such will be temporary and concerned firms will be allowed to operate freely and expand into international markets. Among advanced industrialized nations, only Japan and Canada have separated their telephone industry between domestic and global operations.

Kokusai Denshin Denwa (KDD) which plays a key role as Japan's global operator may enter the domestic long-distance and local areas, but, in exchange, NTT long-distance operations should be allowed to enter global markets. KDD says that it would like to enter the domestic long-distance and local markets, but it objects to NTT entering the long-distance market. They all speak in terms of their individual interests, but competition is no easy matter. In any event, when all participants realize they have plunged into a competitive market, we can deregulate NTT and fees as well. We visualize a future market of that nature.

There Is No Basis for the Theory That 'Western NTT Will Suffer Losses'

A counterargument was presented in response to the council's recommendation, saying a split up of NTT would result in losses on the part of Western NTT and that disparities would arise between regions. The council asked NTT for backup data to support their projections of future deficits, but NTT was entirely uncooperative. They said that fiscal year 1994 produced operating losses of 60 billion yen in the Western region and that future losses could be extrapolated from those figures, but they would not produce any reliable data to support future projections. They insisted that such data did not exist, but such deficit projections continued to circulate among newspapers, political parties, and

council members. There is only one possible source for such releases, but when NTT is asked to confirm the reports, they deny any knowledge.

In my way of thinking, the Western region could not suffer from losses unless accounting data is doctored to reflect such losses. Both Eastern and Western regions are almost the same in terms of population, revenues, corporate density, household count, and prefectural personal incomes. Japan Railway Hokkaido and Japan Railway Eastern Japan were not competitive, because conditions were entirely different, but in the case of the Eastern and Western regions of NTT, the story is completely different.

There is a company called NTT Dokomo. This company handles cellular telephone services and is divided into regions. The company has attained rapid growth under yardstick competition to a level of 1 trillion yen in revenues. Some sources within NTT assert that NTT itself should be operated under the same principles as Dokomo. Dokomo could theoretically be broken down into Eastern NTT and Western NTT regions, with resulting higher profits for the Western region. If NTT officials had any management moxie, there would be no way in which they could insist that a split up would result in inferior operating results for the Western region.

The council has been engaged in regional telephone operation research for 20 years, and has learned that smaller operations can economize on equipment to preclude disparities in operating results when compared with larger operations.

That being the case, when we look into the situation to see why the Western region suffered a loss of 60 billion yen in fiscal year 1994, we find that the first reason is that the region has 12,000 more employees than the Eastern region. This factor by itself caused a loss in profit of 200 billion yen and elimination of that cost factor alone would have restored profitability. The second reason concerned accounting procedures and the distribution of overhead. Major variances are possible depending on how 280 billion yen in costs for the technical development department are allocated. Insisting that the western region would suffer losses and be forced into providing lower-quality services are allegations that can be made only by individuals without managerial expertise and top executives who have dealt only in labor-management disputes.

The council also engaged in exhaustive deliberations concerning a potential decline in technical standing. The new telephone companies are virtually companies with no technical development expenses whatsoever and we cannot entrust telecommunications operations

to such companies in the 21st century because such markets must be propelled by companies engaged in technical reform. In other words, there is no choice but to mobilize the superior technical resources of NTT. We should shelter NTT technical resources and allow it to exercise its basic potential, but concurrently reject monopolistic practices and make them more accommodating of consumer needs. These are the genuine goals of the recent council report.

An NTT technician laughingly said, BT cellular telephones were inferior to those made by NTT. That is a fact. But, BT cellulars can be used in Moscow. They can be used even in the Arab region, not to mention all of the European Union. And, billings for all calls are made in the parent country of the cellular instrument owner. BT is now planning to compete with U.S. firms in East Asia under a similar arrangement. On the other hand, U.S. cellular instruments have been made cheaper through mass production. Toyo Communications Equipment of Fukushima manufactures quartz transmitters which function as core components of cellulars, but 90 percent of them are produced in the cheap Motorola format. The reason is that the NTT specifications are very complex.

NTT cellulars are excellent, and can be used in temperatures ranging from minus 40 degrees and plus 70 degrees centigrade. But, is there a need for such specifications for everyday common use? Such specifications must have resulted in very high costs. Such factors are reflective of basic managerial problems. Our council report did not make any recommendations on the placement of the technical department. We remained silent on this issue, because it is one which should be addressed by managers, but the council hopes that the potentials of the technical department are maximized within the logic dictated by the competitive environment.

At this point, we will discuss the configuration to be assumed by telecommunications when NTT is split into three entities. Global telecommunications equipment consumption reflects a breakdown of 18 percent for the United States, just over 14 percent for Great Britain, Germany, and France combined, and just over 13 percent for Japan. In other words, Japanese markets approximate those of the three European countries. If split into Eastern and Western regions, each company would be larger than BT. Long-distance services would be minor, but if mobile communications and NTT Data were treated as subsidiaries, it would become a company comparable to Eastern and Western NTT.

There are some who say that AT&T is huge and that NTT is small, but AT&T has a manufacturing arm and in terms of its telecommunications division alone,

AT&T is smaller than NTT, and one must be mindful of the fact that NTT is the largest telecommunications company in the world.

The approach should call for separating NTT, allowing it to participate in new sectors, and resume growth as an independent entity. This is one approach recommended by the council report. Long-distance NTT can compete in the international market. Western NTT can compete in Eastern NTT's market by offering CATV telephones. Eastern NTT can enter Western NTT's markets with mobile communications. In other words, new sectors should be developed in a competitive environment, providing not only for the effective use of current surplus personnel, but growth opportunities to both corporations and employees. Contrariwise, if the approach to be taken rejected a split up, ventures into the competitive market place would be precluded by risks imposed by internal mutual relief actions, while attempts are being made for further cost reductions on top of the current plan to reduce 50,000 employees. We should not embrace such antiemployee policies. The council members are of this philosophy.

Japan Already Lags by 10 Years

The actions discussed in this article have been designed to make interconnections both significant and impartial, promote deregulation with a future look, enable mutual market incursions, and adapt corporate growth policies, through separation of local and long-distance services and the application of yardstick competition. Such competitive forces may result in interregional rate disparities. Managerial efficiencies on the part of Western NTT may result in lower rates for that area. In any event, we must preserve accommodating, preferential treatment currently extended to isolated islands.

We hear allegations that the central corporate hierarchy has failed to respond to the wishes of consumers residing in rural areas. As an example, in Hokkaido, representatives of the mayoral conference have asked that Hokkaido be serviced by a separate regional telephone company. A uniform nationwide rate system has resulted in a situation where callers in many areas of Japan pay the same rate for calling Sapporo or Tokyo. Hokkaido's position is that since expenses and rate revenues are structured similar to the Japan Railways with only a small margin between the two, it would be feasible to establish a separate regional telephone company for Hokkaido and that such an approach would promote regional growth and the establishment of a rate structure and regional telephone operations that were beneficial to the region. We did not incorporate such concepts in the recent council report, but they are certainly worthy of consideration.

The recent council report addresses the telecommunication issue in the same manner that the AT&T split up was implemented 10 years ago under U.S. telecommunication reform, placing Japan in a very obsolete time-frame. Telecommunication rates are centered around the telephone, resulting in fees which are as much as 20 times those in the United States for new types of services using existing telephones lines. The United States is not alone in implementing telecommunications reform. China suffers from stagnation as the result of one telephone operator for the entire nation, while Russia has suffered declines in telecommunication services, inspiring both to attempt the introduction of new market participants and the application of yardstick competition.

Our council report conforms with such trends in global markets. How politicians choose to handle the report is beyond our control, but if one is privy to an accurate profile of the situation and willing to embrace consumer interests, there is only one wise course of action.

Japan: MITI Reports Mild Uptrend in Industrial Output

OW2706085096 Tokyo KYODO in English
0822 GMT 27 Jun 96

[FBIS Transcribed Text] Tokyo, June 27 KYODO — Japan's industrial production rose 2.0 percent in May from the previous month on the back of the strong auto sector, confirming a mild output recovery, the Ministry of International Trade and Industry (MITI) reported Thursday [27 June].

"Production is still on a moderate uptrend although inventories remain at high levels," the ministry said — their same assessment for the fourth straight month.

The 2.0 percent growth, which was weaker than a 3.4 percent rise the ministry had earlier forecast, followed a 3.2 percent gain in April.

This represents the first time since September and October 1969 that production has risen 2 percent or more for two consecutive months, a MITI official said.

"But we do not believe production growth is gathering speed," Harumi Takahashi, chief of MITI's Statistics and Analysis Division, said, noting that output tumbled 6.0 percent in March.

The ministry expects production to slide 1.8 percent in June and pick up 1.9 percent in July.

For the April-June quarter, output is estimated to rise 0.3 percent from the previous quarter in line with MITI's assessment of a mild rise in production, Takahashi said.

May output at the nation's factories and mines rose to an index reading of 97.8, short of the 98.8 registered in February.

Shipments grew 1.9 percent from April to a reading of 99.0, while inventories dipped 0.7 percent to a reading of 109.9.

Inventories need careful monitoring because it will take some time before they are sold after excesses triggered by poor sales, Takahashi noted.

Transportation machinery made the largest contribution to the overall output rise in May because auto production increased thanks in part to handsome sales of new models.

Subcompact cars with engine displacements of 2,000 cc or less rose 5.5 percent from April, while compact cars with engines of more than 2,000 cc gained 11.9 percent, MITI said.

In the metal products sector, which also led the overall rise, bridge production registered a strong monthly gain of 12.5 percent, due in part to public works spending, Takahashi explained.

Meanwhile, personal computer output tumbled 26.0 percent, a major reason that the June increase did not meet MITI's projection. But output showed a year-on-year rise of 13.4 percent.

Tokyo Decides To Impose 'Safeguard' Pork Import Controls

OW2706013296 Tokyo KYODO in English
0113 GMT 27 Jun 96

[FBIS Transcribed Text] Tokyo, June 27 KYODO — The government decided Thursday [27 June] to take a "safeguard" emergency measure to curb rapidly increasing imports of pork, effective for nine months from next Monday.

The safeguard measure, which is permitted under the Uruguay Round Global Farm Trade Agreement, allows countries to raise the minimum import price of a product when its imports expand faster than set standards.

As a result of the import curbs, the price of pork for making processed ham and sausage will go up by about 24 percent from the present 450.02 yen per kilogram to 557.19 yen, officials of the Agriculture, Forestry and Fisheries Ministry said.

The new price will raise manufacturing costs at meat processors.

An official of a major meat packer said, however, that processors are now finding it hard to raise prices of ham and sausage because of slow consumer spending.

But industry analysts said some manufacturers may consider hiking prices as the safeguard step will be effective for as long as nine months.

The government imposed a similar emergency measure in November and lifted it in March, which resulted in a substantial increase in pork imports from April.

Under the Uruguay Round accord, Japan is to lower the standard price of pork in stages to 409.90 per kg by 2000, and is automatically allowed to impose the safeguard measure when the volume of imports in a quarter of a fiscal year tops the average amount of imports in the first quarters of the previous three years by 19 percent, to protect domestic livestock breeders.

In just April and May, Japan's pork imports exceeded the standard average by 19 percent, according to data released Thursday by the Finance Ministry.

Imports account for about a third of Japan's total pork supply. The main exporters to Japan include Canada, Denmark, Taiwan and the United States.

Japan: Series Examines Military Command, Control

OW2406060196 Tokyo RIKUSEN KENKYU
in Japanese Jun 96 pp 75-84

[First article in two-part series by Lieutenant Colonel Kato (not further identified), instructor in science and technology, Ground Self-Defense Force Staff College. The article, originally titled "Command and Control Equipment," is the 131st in the Science and Technology Subcommittee's "Military Science and Technology Corner" column.]

[FBIS Summary] The article begins with the assertion that there is a growing recognition in the United States and the nations of Western Europe of the growing importance for future combat of command, control, communication and information [C3I] capabilities. The author then offers a general outline of the structure and functions of a command and control system. As a model, he focuses on the U.S. Army's Force XXI concept that the Training and Doctrine Command [TRADOC] announced in August 1994. He mentions in passing the British and German doctrines, claiming that both nations lag the United States in C3I by a decade.

The rest of the article is devoted to an overview of one goal of Force XXI, "Win the Information War." Specifically, the author covers such component systems as the Army Global Command and Control System [AGCCS], Army Tactical Command and Control System [ATCCS], Maneuver and Control System [MCS], Forward Area Air Defense Command and Con-

trol System [FAADC2I], All Source Analysis System [ASAS], Advanced Field Artillery Tactical Data System [AFATDS], Combat Service Support Control System [CSSCS], and combat command system for the brigade level and below [FBCB2].

Japan: TRDI Reports Delivery, Testing of OH-X Helicopter Tie-Down

OW2606104096 Tokyo WING in Japanese 5 Jun 96
p 1

[Unattributed article]

[FBIS Translated Text] The tie-down test aircraft (number 2) for the new OH-X small observation helicopter, was delivered to the Defense Agency's Technical Research and Development Institute [TRDI] in early May. The tie-down testing commenced during the latter part of May at TRDI's Gifu Test Center in Gifu Air Base. The first tests to be undertaken are the "50-hour tests" to confirm aircraft safety prior to the new helicopter's maiden test flight. When it comes to OH-X prototype test craft, in January the test helicopter No. 1, slated for static strength testing, was delivered to TRDI's 3d Research Center (Tachikawa); static strength testing has begun. In addition, the roll-out ceremony for the flight test helicopter No. 1 took place in March; that aircraft is expected to make its first flight some time this summer. Tie-down testing refers to a series of special tests in the helicopter development process in which the helicopter is literally "tied down" to the ground. Then the engine is started, and the rotors allowed to revolve in order to confirm the performance and durability of the rotor systems, transmission, and so on. For the OH-X, after the completion of 50 hours of such tests, the craft will be put through cycle tests, "200-hour tests," and numerous other tests to examine it under various conditions. Plans are to continue this testing through FY1998. With fixed-wing aircraft, fatigue-strength testing is conducted to see if there is any fatigue damage to the joints where the main wings and the fuselage are joined or other areas that are critical to flight safety. When it comes to rotor aircraft, the fuselage structure and other such sections are not considered critical. The most critical sections, such as those related to the rotors, are subjected to fatigue strength testing, with the tests being carried out on test prototype helicopters. For the OH-X project, a total of six test aircraft are scheduled to be employed for these sectional fatigue strength tests. Already two of them have been delivered to TRDI by the manufacturer and they are undergoing testing by the Third Research Center.

Japan: Ruling Coalition Likely To Continue Income Tax Cuts

*OW2506142596 Tokyo KYODO in English
1327 GMT 25 Jun 96*

[FBIS Transcribed Text] Tokyo, June 25 KYODO — The ruling coalition, in a reversal of its previous policy, is likely to continue income tax cuts worth about 2 trillion yen in 1997, worried about a possible backlash in the next general election over the "jusen" mortgage company fiasco and a consumption tax hike, political sources said Tuesday (25 June).

The three-party coalition had decided to discontinue special income tax cuts designed to stimulate the domestic economy at the end of this year.

A senior member of the Liberal Democratic Party, the largest force in the governing coalition, indicated to reporters the decision may be reconsidered.

"Personally, I think they (tax cuts) will end at the end of this year, but it is possible to review the decision if necessary for economic recovery," said Taku Yamasaki, chairman of the party's Policy Affairs Research Council.

The government has passed through the Diet a scheme to dismantle seven moribund housing loan companies, with 685 billion yen of taxpayers' money despite a public uproar.

The government also approved a plan Tuesday to raise consumption tax, currently at 3.0 percent, to 5.0 percent, effective next April 1.

Although the current four-year term for the House of Representatives is due to expire in summer next year, speculation persists in the political world that a snap general election will be held in the not-too-distant future, the sources said.

Yukio Hatoyama, leader of New Party Sakigake, the smallest group in the governing coalition, cautioned against a hasty decision on the termination of tax cuts.

He said the planned consumption tax raise and the termination of tax cuts will "most likely dampen the economy," citing the need to make a final decision on the tax issue while taking into account its impact on the domestic economy.

Kanju Sato, secretary general of the Social Democratic Party, urged the government to consider the possibility of continuing tax cuts to ease an impact of the consumption tax hike on the economy.

Yamasaki said the tax issue will be reviewed by a tax reform project team of the ruling coalition.

If the next election is taken into account, the continuation of tax cuts is a foregone conclusion, said a former cabinet minister.

Japan: Nonaka Says Neither LDP Nor Shinshinto Expected To Win Majority

*OW2706111396 Tokyo KYODO in English
0948 GMT 27 Jun 96*

[FBIS Transcribed Text] Nagoya, June 27 KYODO — Neither Prime Minister Ryutaro Hashimoto's Liberal Democratic Party (LDP) nor its main rival opposition Shinshinto (New Frontier Party) is likely to win a simple majority in the next general election for the house of representatives, a senior LDP legislator said Thursday (27 June).

"There is no confidence that the LDP can take a majority even if seats to be elected under proportional representation are included," LDP Acting Secretary General Hiromu Nonaka said.

"Needless to say, I can tell you there are no prospects that Shinshinto will take it," Nonaka said during a speech in Nagoya, central Japan.

The LDP is the dominant group in the tripartite ruling coalition.

The next general election will be the first election for the lower house under a new system combining 300 single-seat constituencies with 200 seats under proportional representation.

Of the 300 single-seat constituencies, about 120 will go to the LDP and 70 to Shinshinto, and the Japanese Communist Party will be the only party to increase its number of seats, Nonaka said.

Nonaka denied the possibility of LDP Secretary General Koichi Kato resigning over his alleged taking of a 10 million yen donation from a debtor of moribund housing loan companies.

Japan: Radical Discussions Among Members of Parties-in-Power Reported

*96280080A Tokyo GENDAI in Japanese May 96
pp 96-99*

[Article by Osami Kunidaira: "Political Deep Throat: 'Comical Diet Deliberation of Jusen Revealed'"]

[FBIS Translated Text]

The Miserable LDP A room in a building somewhere near the Diet. It is evening and the circular debate surrounding the "jusen" [housing loan companies] bill continues. Four Diet members

from the parties in power, including some with cabinet experience, are gathered together. Two are from the Liberal Democratic Party (LDP), and one each from the Social Democratic Party (SDP) and New Party Sakigake. On the condition of complete anonymity, they have agreed to give their forthright answers in this informal discussion regarding the political maelstrom.

[LDP A] They say that each person in the country will bear a tax burden of 5,500 yen, but how many people really pay income tax? People who make less than 2.4 million yen annually are tax exempt. More than 80 percent of the monies received come from the 5 percent of high wage earners. When TV does man-in-the-street interviews, I'd like to see them ask first, "How much income tax do you pay?"

[Sakigake] But the LDP is also behaving miserably. The LDP made the best choice for the Japanese economy, but it is shifting along with the opinion polls. There are too many LDP politicians who haven't done their homework either.

[SDP] Perhaps one reason was the surfacing of allegations regarding illegal political contributions against LDP Secretary General Koichi Kato, but the LDP is losing confidence in the scheme. In particular, additional measures adding to the burden of the financial institutions is absolutely nonsensical.

[Sakigake] That's right. They're saying there's something suspicious about it.

[LDP B] To be sure, the LDP is behaving terribly. And it's a shame that Sakigake and the SDP are entangled in it.

[SDP] You may question me saying this, but our party wasn't in a position to take responsibility for the bad debt of the jusen. Yet, Wataru Kubo from our party was put in as finance minister and Kosuke Uehara was put in place as Budget Committee chairman. It would have been much easier to oppose the use of public funds. However, in thinking of the future we believed that this scheme was for the people, even though it made us sweat, made the largest party in power, the LDP, reel, and caused us to ask ourselves why we were going to all this trouble, and what do we get for it? We're taking the blame for the LDP era.

[LDP A] I sympathize, but we've drunk this poison together so we'll all have to suffer the consequences together. (Laughter)

[GENDAI] I wonder what the greatest reason for the LDP's wavering is.

[LDP B] In one word, it's the egotism of Secretary General Kato and Policy Affairs Research Council Chairman Taku Yamasaki. In devising a scheme, Finance Investigations Committee Chairman Michio Ochi and Public Finance Department Chairman Ishihara looked into numerous ways to avoid using public funds, such as writing off the bad debts as losses. However, Yamasaki, who doesn't understand finance at all, hijacked the process by taking responsibility for it. The secretary general for agricultural and forestry interests called it a "political decision" and decided it was a good thing.

[LDP A] That's why Ochi and Ishihara are acting indifferently. In a meeting with other Diet members, the secretary general said, "We are not considering any changes in the scheme." Ochi and others edged toward him responding, "We understand. But, Mr. Secretary General, you must be prepared to take responsibility."

[LDP B] It was also awful in the General Affairs Committee after the plan to add to financial institutions' burden was put on the table. Everybody there opposed it and Yamanaka, the self-appointed tax expert and others mercilessly pounded the two saying, "Hey, Taku. You're not too bright. You'd better listen to guys that know something." and "Mr. Secretary General, you might think you're smart, but you're not."

Party Secretary Kato, It's Time To Resign

[SDP] The allegations of illegal political contributions were really a hard blow for Kato.

[LDP B] Former Chairman Shigenori Mizumachi really holds a grudge, doesn't he. In a reply in a Diet hearing during his Chief Cabinet Secretary days, Kato said, "It is not true that I took 10 million yen." But now he says, "I returned it." He has no credence. He should step forward to answer the allegations and be made to approve the budget.

[LDP A] He can't answer a summons because, if Mizumachi was summoned too, he would say exactly the opposite. The former Kyowa vice president who handed him the money directly is in detention, but he could easily be questioned from there. Then, if he says, "I am certain that I handed the money to Mr. Kato," then Kato is guilty of perjury. Therefore, I'm sure he's afraid to appear for a summons.

[LDP B] Anyway, it's a matter of time that Kato will resign from the secretary general's post. No one mentions it openly, but the majority members in our party think that he will.

[LDP A] At any rate, the Diet Affairs Committee is not powerful enough to get through the chaos in the Diet. Except for Committee Chairman Muraoka,

nobody knows what to do. And because it's a coalition government and although we should defer to the more experienced politicians to lead the other parties, Kato went down to the level of the inexperienced Sakigake party. That was his mistake.

[Sakigake] That was a side blow for our party.

[LDP B] Sorry, sorry.

After the Gifu Prefectural by-elections for the upper house on 26 March, things finally got back to normal in the Diet. However, the Budget Committee stoppage had lasted a record 22 days, breaking the record of 21 days set by the Lockheed scandal and causing an extremely unusual situation. Although the Diet was back on track, the Shinshinto (New Frontier Party) continued to call for testimony by LDP Secretary General Kato, and the Kato affair became a problem that just wouldn't go away, causing exasperation within the coalition. Particularly in the LDP, complaints about Kato are becoming even more serious than had been reported.

[GENDAI] However, for Shinshinto a sit-in was a tactic of last resort.

[Sakigake] There are three factions in that party: Ozawa's, the Hata group, and old Komeito and even the administrative staff are keeping their mouths shut among themselves. Ironically, the sit-in increased solidarity.

[SDP] I was truly shocked to see former prime ministers like Toshiki Kaifu, Morihiro Hosokawa, and Tsutomu Hata joined in the sit-in.

[LDP A] I can't imagine former prime ministers Shigeru Yoshida, Shinsuke Kishi, and Hayato Ikeda sitting in the Diet hallway. (Laughter) For former prime ministers to demean their authority by performing such an unlawful act is very bad.

We Will Not Accept Compromise With Soka Gakkai

[GENDAI] As is to be expected, the winds of public opinion are shifting direction and there is increasing criticism within Shinshinto for its tactics of blockading the budget committee. On the other hand, in the Gifu by-elections the Soka Gakkai decided to be placed on the ballot separately, forsaking Shinshinto, and there were reports that it was planning a reconciliation with the LDP.

[Sakigake] It looks like the Soka Gakkai leaders have been in contact with the upper levels of the LDP, but they're being tricky about it.

[LDP A] There's no need to worry. Maybe some of our people are doing something with the Soka Gakkai, but

we're not going to fall for any of their sweet talk. If the LDP leadership did anything funny with Soka Gakkai, they would be kicked out.

[Sakigake] Soka Gakkai will do anything in an election and it scares me. They have voters vote in different areas and visit individual homes. They'll even sell their votes if they don't have a candidate they're supporting in a particular election.

[LDP B] It may differ according to the number of votes, but it's certain that some people have been earmarked at levels of 10 million yen.

[SDP] Throwing that kind of money around, the Soka Gakkai had the votes of private industry for Shinshinto in last year's upper house elections. To take one example, they deposited money in the Agricultural Cooperative Association-related finance institution. So, in fact, they were buying the votes of the Agricultural Cooperative Association. They took the money out after the election, however.

[LDP A] They used the same tactics with the banks and life insurance companies, using the money gained by their tax exempt status as a religious corporation in such a way. The reason Shinshinto is so strongly opposing revision of the law regarding religious bodies is that it might lead to a revision of the tax code. If that were the case, all this nice talk would have been for naught.

[Sakigake] To begin with, it's deceptive for a religion to want money and to be unwilling to pay taxes. If it were a good religion, it would spread its message without money. Religious oppression occurs when a certain religion becomes linked with power and can't consider the situation of any other religion but their own.

[LDP B] Therefore, the separation of church and state is essential. And that's why we can't compromise on the revision of the regarding religious corporation law.

Hatoyama To Head a Second Force New Party?

[GENDAI] It appears that within Shinshinto there are members who are uncomfortable with the party connected to Soka Gakkai.

[LDP A] The Hata group will be split, in any case. Hata, Hosokawa, Aichi, Funada, and Okuda are all people who don't need Soka Gakkai to win elections. So it's possible they'll bolt before the election.

[Sakigake] But returning straightaway to the LDP would be a denunciation of their current political paths, so they couldn't do it. They need a cushion of friends to catch them.

[LDP B] That would be a new party consisting of SDP-Sakigake.

[Sakigake] It's not a complete partnership. If Sakigake representative Masayoshi Takemura, who is not well liked, joins with the ill-reputed SDP, the new party won't get the people's support.

[LDP A] Does that opinion have great support within the party?

[Sakigake] 99 percent.

[LDP A] I see. Only Takemura is in the minority.

[LDP B] The question is a new party can be formed by the election.

[Sakigake] They'll surely be able to do it by candidate announcement day.

[LDP A] I think that Yukio Hatoyama, as number one popular vote getter would be party head. If they get the second most popular, Funada, everyone will want to join, even me. Has the discussion with Hatoyama come down to that?

[Sakigake] No. I can't say more than that. At any rate, it will be a wide ranging group. Some kind of new party will be formed and it will get over 100 seats in the lower house. We'll go from being third force to second force in power.

While attention settles on the Ozawa-Hashimoto confrontation, it's apparent that this Diet session has really fallen to a low level without reasoned discussion, where everyone is just beating each other around. If the suggestions of the formation of a new party made by the Sakigake member during this symposium are realistic, a new fresh group might emerge from all the confusion as a prelude. And if that can't happen, the situation will be completely hopeless.

Japan: Welfare Minister Naoto Kan Envisioned as Leader of New Party

962B0091A Tokyo SHUKAN GENDAI in Japanese
4 May 96 pp 43-45

[Unattributed article: "List of Cabinet Members Proposed for 'The Third Force' New Party"]

[FBIS Translated Text] The people are fed up with politics and are waiting for you to act! Naoto Kan for prime minister and Hajime Funada for chief cabinet secretary; Truth is "a matter of national concern"

"What? I'm sure I told you. You really didn't know?" Health and Welfare Minister Naoto Kan, who was thrust into the political spotlight around the AIDS-contamination issue, laughed and said half-jokingly when his fellow Sakigake colleagues in the Diet have

told him, "You've scored high marks with the people. And that popularity looks like it might even back a Kan cabinet." Well, it's no joke. The people are poised to back Kan for prime minister.

Pumio Saito, a former law professor at Kyushu University, submitted this cabinet roster with the following remarks, "In a precedence-setting move for a politician, Health and Welfare Minister Kan aligned himself with the public and exposed the administration of the Health and Welfare Ministry. With a Kan cabinet, major reforms can be implemented in the bureaucratic-led political system that has continued since the Meiji Restoration."

"I would like to suggest as that Kan for prime minister; with an emphasis on youth, Hajime Funada for chief cabinet secretary; for director of the defense agency, Governor of Okinawa Masahide Ota who opposes the strengthening of the U.S.-Japan Security Treaty; for finance minister, Banri Kaieda, an economic affairs analyst who holds independent views on budget preparation; as foreign minister, the rational thinker Yukio Hatoyama; for minister of International Trade and Industry, who must be free of outmoded images of Japan, Inc., Shusei Tanaka who excels in drafting policies; for justice minister, Diet member Michio Sato, former superintendent public prosecutor of the Sapporo High Public Prosecutors Office who criticized his own office for filing indictments without hearing the circumstances surrounding the 500 million yen contribution case involving Shin Kanemaru; for minister of home affairs, Daijiro Hashimoto, governor of Kochi Prefecture, to continue his efforts toward decentralization; as successor to Health and Welfare Minister Kan, Yukio Edano, who worked on the same project team with Welfare Minister Kan, to continue confronting the Health and Welfare Ministry bureaucracy; for minister of Agriculture, Forestry, and Fisheries, Soichi Yamashita, an agrarian author who is spreading local criticism of agricultural cooperatives; and for director of the Hokkaido and Okinawa Development Agency, the leader of local party representatives who is working alongside Hatoyama and Kaieda. With such a lineup, we can change the bureaucratic-led administration that has lost touch with its constituents."

Assistant Professor Hitoshi Igarashi of Hosei University discusses alternative choices for these positions. He says, "The members of the Kan cabinet should be nonpartisan. For finance minister, Makoto Sataka, a critic who wrote about dismantling the Ministry of Finance, would be a possible choice. I'd like to see the bureaucratic mess cleaned up from the outside. To succeed Health and Welfare Minister Kan, I would like to see Makiko Tanaka, who was elected under the

banner of welfare for senior citizens for the position, because noted for her fearlessness, she stood her ground against the bureaucrats during her tenure as director general of the Science and Technology Agency. Since this is no longer a period for outmoded, behind-the-scenes political negotiations, if the younger generation doesn't take the reins of power, politics will not change."

The issues go beyond backroom politics. The sole concern of politicians is to get elected, which stems not from a belief in repeated political realignments but is merely a calculation of how to work elections to their advantage. Faced with this deplorable situation, the people have become disenchanted with politics.

Despite 90 percent public opposition to using taxpayer money for the liquidation of "jusen" (housing loan companies), the Hashimoto administration tried to steamroll its budget plan through the Diet. In order to block the budget vote, Shinshinto, turning a deaf ear to public criticism, staged a three-week sit-in and brought the Diet to a standstill. The ruling coalition and the opposition reached a vaguely worded agreement through some highly characteristic backroom negotiations. But the voices of the citizenry remained unheard and unheeded.

Further, there are indications that today's Japanese political circles are merely trying to flatter the United States.

"During the recent U.S.-Japan top-level summit talks, it was clear that Japanese politics was not carrying out the will of the people. In a joint statement released by the United States and Japan, the sole resolution reached conformed to the U.S. East Asian strategy of maintaining a troop strength of 10,000 strong in Asia and the Pacific region. The United States confronted Japan on economic problems related to semiconductors, film, insurance, and on opening up Japanese markets. Despite the deadlock in the Diet over the "jusen," Shinshinto reached an agreement in light of President Clinton's impending visit to Japan. In other words, in the Security Treaty, in economics, in everything, Japanese political circles merely keep a watchful eye on the U.S. disposition. This is clear evidence that Prime Minister Ryutaro Hashimoto and Shinshinto's leader Ichiro Ozawa kowtow to the United States" (Takahiroy Miyao, professor, University of Tsukuba).

If politics moves ahead because of foreign pressure from the United States rather than in response to the people, Japan cannot be considered a practicing democratic nation. And for that very reason, the people's expectations for a third party are high.

Keidanren's Vice President Ken Moroi stated on behalf of the citizenry, "During the process of reforming politics and reshuffling the political structure, how to build a liberal, democratic entity like the U.S. Democratic Party was a major issue for Japanese political circles. Practically speaking, however, even if we take one issue such as the U.S.-Japan Security Treaty, the distinction between the Liberal Democratic Party [LDP] and Shinshinto is not clearly defined. What's necessary now is the creation of a third force party to oppose both the LDP and Shinshinto. Without this third force party, politics will not move forward. As a result, we are seeing the emergence of much-anticipated debates."

"We need more people like Naoto Kan!"

The two party heads, Tomiichi Murayama and Masayoshi Takemura, proposed a different, albeit ill-fated, plan to form a third force party by merging the Social Democratic Party and Sakigake. Instead, expectations are being placed on a third force party composed of Kan, Hatoyama, Funada, and Kaieda.

One of the central players in this movement, "citizen's league" and Diet member Banri Kaieda stated, "Our goal is to provide a new plan—an alternative—one which rethinks the system that has been cultivated for 50 years since the end of the war. Politicians, who up to now have been known as expert policymakers, only took up policies with the thinking of bureaucrats. Bureaucrats would not promote administrative reform, and therefore lawmakers who abide by bureaucratic thinking are unable to do so. Shinshinto's leader Ozawa (Ichiro), said to be capable of shattering the status quo, has been ineffectual in his attempts at administrative reform. The LDP cannot handle deregulation, and the same applies to Shinshinto, which embraces influential members of the Diet."

For example, Kaieda advocates the introduction of a "zero base" to help reduce the budget deficit instead of calculating the base on the previous year's amount of public operating expenses, which have until now assumed a large portion of budgetary allotments. Such measures can provide completely fresh perspectives. Bureaucrats lack the ability to think in these terms.

The Third Force party advocates a small, moderate government that targets administrative reform and deregulation. Diplomatically, it intends to present itself as the antithesis of the "ho-ho rengo" or conservative-conservative union, which has become involved in the debate concerning the right to collective self-defense because of the strengthening of U.S.-Japan relations. Secretary General of Sakigake Yukio Hatoyama states,

"We will create a foundation that can support candidates like Naoto Kan. Kan supports a people's rights brand of politics and is wholeheartedly committed to administrative reform. That enthusiasm led him to disclose the bureaucratic coverup within the Ministry of Health and Welfare surrounding the AIDS-contamination issue (ordering the release of previously hidden documents). Diet members all call for administrative reform, but it makes a difference whether they're indecisive or earnest in their efforts. In that sense, we cannot say that Sakigake was completely serious. By establishing a third force party, we want to create a body that provides a platform with more force and appeal. The new party must be launched prior to the next general election. Before receiving the people's mandate, we must show them what kind of government we are planning to form. It would be ideal if all political parties were dissolved and individuals with like-minded ambitions could realign themselves...."

Hatoyama was targeting the formation of the new party for this June, but Shinshinto's Hajime Funada, the man who is expected to be his influential partner, is vacillating saying, "We cannot unite before the election." Faced with upcoming elections based on a single-seat constituency with proportional representation system, Funada cannot abandon his party because Shinshinto has already decided on endorsing over 200 candidates in single-seat constituency.

The public, however, is waiting and hoping for just that—the formation of a third force party. Certainly, the formation of a third force party would be a unique way of sweeping away the political distrust harbored by the public, who continue to be betrayed by politics and are now deeply disenchanted. The former president of the National Confederation of Trade Unions (Rengo), Akira Yamagishi, expressed these words of encouragement,

"I'm counting on them. I think they're the only ones who can break this stalemate. They should go with a select few instead of the political maneuverings of a majority party. Funada says he'll join the party after the general election, but as Hatoyama says, they should ask for the public's trust and confidence by forming a third force party prior to the general election."

Precisely. Now is the time for Funada to step forward. Such a move would restore public confidence in politics, reform the bureaucratic-led political system, and bring about the rehabilitation of politics. The public is waiting for them to move.

North Korea

DPRK: Foreign Ministry Spokesman Supports Position of Arab Summit

SK2706083296 *Pyongyang KCNA in English*
0827 GMT 27 Jun 96

["Foreign Ministry Spokesman on Arab Summit" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 27 (KCNA) — The spokesman of the Foreign Ministry of the Democratic People's Republic of Korea in an interview with KCNA today on the result of the recent Arab Summit in Cairo said:

We think the summit meeting, the first of its kind since the Gulf war, is of great importance in the development of the political situation in the Middle East.

The meeting participants adopted a joint position toward the changed regional and international situation, thus making a positive contribution to strengthening the unity of Arab nations and achieving a fair and comprehensive peace in the Middle East.

We will express invariable solidarity with the Arab people as ever in the struggle to restore the legitimate rights of the Palestinian people including the right to found an independent state with Kuds as the capital, terminate Israel's occupation of the Golan Heights of Syria and southern Lebanon and build a peaceful and stable Middle East.

DPRK: 'War Hysteria' of 'Civilian-Veiled Warmaniac' Decried

SK2706081896 *Pyongyang KCNA in English*
0809 GMT 27 Jun 96

["War Hysteria of S. Korean 'Civilian' Warmaniacs" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 27 (KCNA) — The traitor Kim Yong-sam, a "civilian"-veiled warmaniac of South Korea, "inspected" a unit of the puppet army in the central sector of the front on June 24 and cried that the "whole army must maintain perfect preparedness to cope with special movement by the North", a Seoul-based radio reported.

On the 25th, the chairman, the secretary general and other executives of the "New Korea Party" "inspected" a frontline unit of the puppet army in South Korean Kangwon Province and urged them to "put their heart and mind into an alert duty."

The inspections held around the day when the United States unleashed the war of aggression in Korea, were

aimed at examining preparations of the puppet army for a war against the North on the spot, driving them to a reckless provocation and getting on the nerves of the North.

This fully shows how frantically the enemy are trying to ignite the train of war against the North.

The Kim Yong-sam group have massively deployed tanks, guns and heavy weapons and a large number of soldiers in the southern areas of the Demilitarized Zone along the Military Demarcation Line. In addition to it, they have staged war exercises against the North almost every day in the sky and sea and on the ground of South Korea, rendering the situation to an extreme pitch of strain.

The South Korean rulers foolishly dream of finding a way out of their serious crisis in unleashing a reckless war against the North.

The "civilian" warmaniacs of South Korea must clearly know that such a war frenzy against the fellow countrymen in the North will precipitate their own destruction, and they must act with discretion.

DPRK: Kim Yong-sam Visit to MDL in Central Sector Denounced

*SK2706041296 Pyongyang KCNA in English
0356 GMT 27 Jun 96*

["Warmaniac Digging His Own Grave" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 27 (KCNA) — A few days ago, the traitor Kim Yong-sam showed up at an area near the Military Demarcation Line (MDL) in the central sector of the front and ordered the puppet army to keep a "perfect preparedness" to cope with "situation in the North and its movement".

Commenting on this, a news analyst of NODONG SINMUN today says:

This is a vicious challenge to the North and a premeditated provocation to unleash war against the North.

Perhaps, Kim Yong-sam believed that if he showed up at a forefront area and cried about an attack from the North, the world people would accept this as a truth.

However, his shameless trick fully revealed before the world what vicious and wicked traitors and warmaniacs they are.

It is certain that the inspection of the traitor Kim Yong-sam was aimed at "examining" preparations for a war against the North according to the "five-stage '5027 operation'" already worked out with outside forces and diverting elsewhere the attention of enraged people

with outcries about "threats from the North" and thus bridging over the crisis of his government.

Kim Yong-sam must bear it in mind that if they continue reckless military adventures against the North, they will face such a miserable end as a tiger moth.

DPRK: Radio Carries KCNA Statement on 'Anti-DPRK Smear Campaign'

*SK2706024896 Pyongyang Korean Central
Broadcasting Network in Korean
2100 GMT 26 Jun 96*

[FBIS Translated Text] On 26 June, a spokesman for the Korean Central News Agency [KCNA] issued a statement in connection with the fact that the Japanese right-wing reactionaries and subservient press are viciously waging a smear campaign [moryak sonjon] opposing our Republic more than ever before.

Noting that the Japanese right-wing reactionaries and subservient press have recently spread fabricated, nonexistent, false rumors claiming that the party forces have been weakened and that the government forces have been strengthened in the DPRK as regards the resumption of DPRK-Japan dialogue and humanitarian issues, the statement pointed out the following:

The Japanese reactionaries took malicious campaign offensives [hiksaek sonjon kongse] to weaken the united strength of the Republic by misleading world opinion into thinking that some forces within us were vying with each other for the initiative [machido uri naebue ku otton chudogwonul kyorunun seryogi innun kochorom segye yoronul odohamuroosso] in the issue of resuming DPRK-Japan dialogue. The KCNA bitterly denounces this as a reckless move of those bereft of reason.

Weakening of the party and strengthening of the government in dealings over DPRK-Japan relations, which the Japanese right-wing reactionaries and subservient press are clamoring about, are inconceivable and impossible for us.

We cannot remain an onlooker to the Japanese reactionaries' maneuvers to make a fake story, fait accompli.

Originally, the issue of DPRK-Japan talks was raised in 1990 when the Japanese politicians of the ruling party and the largest opposition party set out to resolve relations between the two countries.

In 1990, three political parties of the two countries adopted and published a historic joint declaration on bilateral relations in Pyongyang, reflecting the desires

of the two peoples. In the wake of this, the intergovernmental talks on the normalization of diplomatic relations were held on eight occasions.

However, the talks between the two countries came to a rupture as the Japanese side, lacking principles or independence, followed the footsteps of a third country to deliberately lay obstacles and difficulties and to raise problems that have nothing to do with bilateral relations.

Under such a situation, last year, the delegations of the ruling parties of the two countries had to meet again in Pyongyang with a view to resuming intergovernmental talks between the two countries.

At the meeting, the delegations of the ruling parties of the two countries adopted an agreement for the resumption of DPRK-Japan talks, taking into consideration the lesson of the suspended intergovernmental talks and reflecting matters of principle relating to the bilateral talks, such as Japan's proper apology and compensation for the past, settlement of DPRK-Japan relations independently and self-determinedly, and resumption of the intergovernmental talks at an early date.

Accordingly, it is self-evident that it is time for the governments of the two countries to sit at the negotiating table again.

However, the Japanese authorities are behaving quite contrary to the efforts made by the politicians of the two countries.

Even after the agreement for the resumption of DPRK-Japan talks was adopted, the Japanese authorities, lacking in independence, are continuing to cooperate with outside forces over DPRK-Japan relations and have put off the resumption of talks in violation of the agreement. This shows they are not interested in improving relations with the DPRK.

The spreading of a false rumor about party forces and government forces by the Japanese right-wing forces, only shows that it is nothing but a sophism of those who are utterly ignorant of international affairs and politics.

The Japanese right-wing forces recently enumerated absurd remarks that the Korea-Japan annexation was valid; that Japan did something helpful to Korea during its colonial rule in the past; and that the comfort women for the Japanese Army were involved in commercial activity and were not forced to do so by the state. They went so far as to behave obtrusively, putting their nose into the four-way talks and inter-Korean relations, which have nothing to do with Japan.

It is an undeniable historical fact that Japanese imperialism invaded Korea, enforced brutal colonial rule, and in-

flicted immeasurable misfortunes and sufferings on the Korean people.

Our people and the world people do not forget Japan's historic aggression and crimes.

The Japanese reactionaries and subservient media must immediately stop the anti-Republic smear campaign on the so-called weakening of the party and strengthening of the government.

We will never be an onlooker to the crafty moves of the Japanese right-wing forces.

DPRK: Japanese Anti-DPRK 'Smear Campaign' Denounced

SK2706003996 *Pyongyang KCNA in English*
0019 GMT 27 Jun 96

["Statement of KCNA Spokesman" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 27 (KCNA) — The spokesman of the KOREAN CENTRAL NEWS AGENCY issued the following statement on Wednesday:

The rightist reactionaries and paid media of Japan are conducting a smear campaign against the DPRK more viciously than ever before.

They claim that within the DPRK the party forces have weakened and the government forces strengthened over the resumption of DPRK-Japan dialogue and the humanitarian issue.

They know nothing about the DPRK where the leader, the party and the masses are united with a single heart and the party and the masses form an integral whole.

Their smear campaign is aimed at weakening the united strength of the DPRK by spreading the false rumour that within the DPRK there are some forces vying with each other for the initiative over the issue of resumption of DPRK-Japan dialogue.

The KOREAN CENTRAL NEWS AGENCY bitterly denounces this as a reckless move of those bereft of reason.

Such things as "weakening of the party" and "strengthening of the government" in dealing with DPRK-Japan relations are inconceivable and impossible within the DPRK.

We cannot remain an onlooker to the Japanese reactionaries' attempt to make a fake story [a] fait accompli.

It is self-evident that the relations between nations should be settled through intergovernmental talks on all accounts.

The same is the case with DPRK-Japan relations.

Originally, the issue of DPRK-Japan talks was raised in 1990 when the Japanese politicians of the ruling party and the largest opposition party set out to solve the relations between the two countries.

There had been no diplomatic relations between the two countries, and the Japanese Government had not buckled down to the settlement of the relations between the two countries.

Under this situation, it was natural that Japanese politicians of political parties tackled this problem.

Three political parties of the two countries adopted and published a historic joint declaration on bilateral relations in Pyongyang in 1990, reflecting the desires of the two peoples. This event was followed by eight rounds of intergovernmental talks between the two countries on normalisation of diplomatic relations.

The talks, however, came to a rupture as the Japanese side, without its own principle and independence, laid deliberate obstacles and difficulties, raising problems that have nothing to do with bilateral relations, as dictated by a third country.

This being the situation, the delegations of the ruling parties of the two countries had to meet again in Pyongyang last year, with a view to resuming the intergovernmental talks between the two countries.

At the meeting, the delegations adopted the "agreement for the resumption of DPRK-Japan talks" taking into consideration the lesson of the suspended intergovernmental talks and reflecting the matters of principle relating to the bilateral talks, such as Japan's proper apology and compensation for the past, independent and self-determined settlement of DPRK-Japan relations and resumption of the intergovernmental talks at an early date.

It is self-evident that the governments of the two countries should sit at the negotiating table again.

The facts show that each time difficulties cropped up in bilateral relations, the politicians of the two countries played the role of promoting intergovernmental contact and negotiation and did what they could do between the political parties.

The Japanese authorities, however, behave quite contrary to the efforts made by the politicians of the two countries.

Even after the adoption of the "agreement for the resumption of DPRK-Japan talks," the Japanese authorities without independence continue cooperation with outside forces over the DPRK-Japan relations and put off the resumption of talks in violation of the agreement.

This shows they are not interested in the improvement of relations with the DPRK.

Nonetheless, the Japanese rightist reactionaries deliberately connect a humanitarian issue with the resumption of DPRK-Japan talks in a far-fetched way and spread a false rumour about "party forces" and "government forces." This will only serve to complicate the prospect of the settlement of the DPRK-Japan relations.

It is common knowledge that international relations should be settled at government level under international law and usage. This is neither a matter of initiative nor a new issue.

The smear campaign of the Japanese rightist forces shows that it is a sophism of those who are utterly ignorant of international affairs and politics.

It also reveals the sinister intention of the rightist reactionaries of Japan to cover up the disgraceful crimes committed by Japan in the past and hinder the improvement of DPRK-Japan relations.

What is all the more intolerable is that the rightist forces of Japan argue these days that the "Korea-Japan annexation" was "valid"; that Japan did something "helpful" to Korea during its colonial rule in the past; and that the "comfort women for the Japanese Army" were involved in a "commercial activity" and were not forced by the state. They behave obtrusively, putting their nose into the "four-way talks" and inter-Korean relations, which have nothing to do with Japan.

It is an undeniable historical fact that Japanese imperialism invaded Korea, enforced a brutal colonial rule and inflicted immeasurable misfortunes and sufferings on the Korean people in the past.

The Korean people and the world people remember Japan's aggression and crimes.

The Japanese reactionaries and paid media must immediately stop the anti-DPRK smear campaign.

We will never remain an onlooker to their crafty move.

DPRK: KCNA Reports on 20,000 Tons of Food Aid Donated by PRC

SK2706083596 *Pyongyang KCNA in English*
0825 GMT 27 Jun 96

["Relief Goods Arrive" — KCNA headline]

[FBIS Transcribed Text] *Pyongyang, June 27 (KCNA)* — 20,000 tons of food donated by the Chinese Government to the flood-hit DPRK arrived in Korea on June 10 and 25.

100,000 dollars worth of medical instruments and medicines from the Cuban Government arrived on June 24.

The relief goods were conveyed to DPRK officials concerned.

South Korea

ROK: ROK, U.S. Reportedly To Hold SOFA Negotiations 'Next Month'

SK2706074096 Seoul KBS-I Radio Network in Korean 0600 GMT 27 Jun 96

[FBIS Transcribed Text] It has been learned that our country and the United States will hold final negotiations on revising the ROK-U.S. Status of Forces Agreement (SOFA) by next month.

Stating that the United States had proposed this through a diplomatic channel recently, a government official added that the negotiations that are to be held next month would virtually be the final negotiations on the revision of the SOFA.

Our country presented our side's final draft on revising the SOFA last March.

There have been sharp differences in views between the two countries over the custody of U.S. military criminals upon their arrest and the issue of restricting the prosecution's right of appeal. Therefore, if the two sides fail to reach an agreement, negotiations may become protracted.

ROK: DPRK Said To Propose Meeting in Pyongyang on 4-Way Talks

SK2706015496 (Internet) The Joong-Ang Ilbo WWW in English 27 Jun 96

[FBIS Transcribed Text] It was belatedly reported that North Korea has proposed holding a vice-minister level meeting between the nation and the United States in Pyongyang on the 4-way talks.

A high-ranking official at South Korea's Foreign Ministry stated Wednesday, "North Korea sent a letter to the United States at the end of last month, proposing a high-level bilateral meeting to be held in Pyongyang in order to receive a briefing on the background and purpose of the 4-way talks proposed both by Washington and Seoul." The official also added, "The proposal was made through the North Korean mission at the United Nations and David Brown, director of Korean desk at U.S. State Department."

ROK: Minister on Kim Chong-il, Cheju Summit, Overtures to DPRK

SK2706021196 Seoul YONHAP in English 0131 GMT 27 Jun 96

[FBIS Transcribed Text] Tokyo, June 27 (YONHAP) — South Korean Foreign Minister Kong No-myong has observed that de facto North Korean leader Kim Chong-il's formal ascension to the top leadership is expected to be further delayed in spite of the approaching second anniversary of Kim Il-song's death (July 8), the Japanese daily NIHON KEIZAI reported Thursday.

In an interview with the daily in Seoul Wednesday, Kong reportedly said that "No challenge (movement), however, has been detected that might rock the Kim Chong-il system."

The foreign minister, according to the report, assessed the outcome of President Kim Yong-sam's summit talks with Japanese Prime Minister Ryutaro Hashimoto on Cheju Island over the weekend as good. He also evaluated Hashimoto's apology over the comfort women issue as "very good."

Kong reportedly said, citing a piece of information obtained from China, that North Korea has recently extended its mourning period for the late President Kim Il-song from two to three years. Pyongyang appears to have put off the junior Kim's formal succession to power in view of the adverse conditions such as food and energy shortages, Kong speculated.

On the United States' and Japan's possible efforts to improve relations with North Korea, the daily quoted Kong as saying, "Diplomatic normalization achieved while inter-Korean relations remains unimproved carries no significance."

The principle of "harmony and parallel" should be adhered to in the development of Tokyo- and Washington-Pyongyang relations vis-a-vis that of inter-Korean relations, Kong stressed.

ROK: DPRK Urges Japan To Resume Normalization Talks

SK2706010596 Seoul YONHAP in English 0054 GMT 27 Jun 96

[FBIS Transcribed Text] Tokyo, June 27 (YONHAP) — North Korea called on Japan Wednesday to resume normalization talks between the two countries which have been suspended since 1992.

The request was made during a series of meetings between the visiting North Korean delegation representing the Disarmament and Peace Institute affiliated with the

Foreign Ministry and Japanese Foreign Ministry officials.

A meeting between Kim Yon-kil, head of the North Korean delegation and chairman Nobuo Matsunaga of the Japan Institute of International Affairs, which is also affiliated with the Foreign Ministry, was considered a high-level contact between the two countries as Matsunaga is virtually an ambassador-at-large for the Foreign Ministry.

Prior to this meeting, Yi Chol-chin, head of the Foreign Ministry's Japan Desk and a member of the North Korean delegation, met Koro Bessho, head of the Japanese Foreign Ministry's Northeast Asia Section, and discussed resuming the suspended normalization talks, among other matters.

Yi and Bessho also had secret talks in Beijing earlier this year.

The North Korean delegation, visiting Japan at the invitation of the Japan Institute of International Affairs, will visit Nagoya and Nara on Thursday and leave for Pyongyang next Monday.

ROK: Japan: UN Report on Domestic Violence, Not Comfort Women

SK2706032296 Seoul YONHAP in English
0300 GMT 27 Jun 96

[Report by Hwang Tu-hyong: "UN Resolution Is not on Comfort Women but on Domestic Violence"]

[FBIS Transcribed Text] Tokyo, June 27 (YONHAP) — The Japanese Government has hinted at its unrelenting reluctance to accept responsibility for the atrocities allegedly done to the so-called comfort women during World War II, insisting that the resolution adopted last April by the United Nations Commission on Human Rights was not on the comfort women but on the eradication of domestic violence.

"United Nations special rapporteur Radhika Coomaraswamy [name as received] presented a report on domestic violence to the UN Commission on Human Rights last April and dealt with the comfort women issue in an annex to the report," Vice Foreign Minister Sadayuki Hayashi said Wednesday.

The Japanese Government, therefore, does not think that the UN Commission on Human Rights adopted a resolution on the comfort women, the vice foreign minister said.

The South Korean Government has insisted that the resolution covered not only the domestic violence but also the issue of the comfort women who were forced

to serve as sexual slaves for Japanese soldiers during World War II.

The Coomaraswamy report held the Japanese Government responsible for the atrocities committed against Korean women who were forced to serve in the Japanese military brothels during the war and urged Japan to officially acknowledge the crime and apologize before paying government-level compensation to the victims.

The Japanese Government, however, wants a civilian fund to pay consolation money to the former comfort women instead of responding to the urge made by the UN report.

"The Asian Women's Fund was established to provide assistance to those comfort women who still suffer psychological and physical pain," Hayashi said.

The Japanese vice foreign minister, meeting a group of visiting South Korean reporters, also said that his government was consulting the Asian Women's Fund about the government's plan to fund medical, welfare, nursery and housing projects for the comfort women.

Hayashi also said that his government does not want to see any kind of emotional confrontation between the peoples of the two countries involving the sovereignty of Tok-to Islets.

"I think we need to continue to make efforts to maintain cooperative relations in dealing with the issue," he said.

On the possibility of Japan resuming normalization talks with North Korea, Hayashi said that his government will closely consult [with] the Seoul government in dealing with the issue so that it can take into account two issues.

"One is that Japan wants to normalize the abnormal relations between Japan and North Korea that were established after World War II and the other is that normalization should take place in a way that will contribute to stability on the Korean Peninsula," he said.

Japan hopes that co-hosting the 2002 World Cup soccer finals with South Korea will help promote understanding between the two countries, said Hayashi.

The number 2 man at the Japanese Foreign Ministry, however, fell short of proposing that the two countries form a joint committee to smoothly and efficiently co-host the world's biggest soccer event.

"I don't think that the agreement between President Kim Yong-sam and Japanese Prime Minister Ryutaro Hashimoto on a close liaison system (for the soccer event) means that the two countries will launch a joint organization," he said.

"I think it will be desirable for the two governments to discuss ways to cooperate only after the International Football Federation (FIFA) comes up with concrete ways of supporting co-host efforts by the end of December," he said.

Japan is closely watching the debate in South Korea about whether or not Japanese mass culture should be allowed into South Korea, Hayashi said, adding that his government will try to foster an atmosphere in which the exchange of culture between the two countries occurs naturally.

Hayashi also said that no decision has been made yet regarding the possibility of the Japanese emperor visiting South Korea to attend an opening or closing ceremony of the 2002 World Cup event.

ROK To Extend Service Period of PKO in Angola, West Sahara

SK2506091496 Seoul YONHAP in English
0826 GMT 25 Jun 96

[FBIS Transcribed Text] Seoul, June 25 (YONHAP) — The service periods of South Korean contingents taking part in United Nations Peacekeeping Operations (PKO) in Angola and West Sahara have been extended by one year.

The cabinet passed Tuesday a bill to extend the period of service of a 198-member military engineering unit stationed in Angola by one year beyond the originally-set October 1995-September 1996 period to have it continue to engage in road and bridge repair and maintenance in Angola.

The cabinet approved another bill reducing the number of staff of a medical contingent based in West Sahara from the current 42 to 20 and extend the unit's stint by one year beyond the originally-set September 1994-August 1996 period. The contingent provides medical and hygienic services for PKO members there.

ROK: NCNP Lawmakers Urge Choe Kyu-ha To Testify at Chon Trial

SK2606040496 Seoul YONHAP in English
0237 GMT 26 Jun 96

[FBIS Transcribed Text] Seoul, June 26 (YONHAP) — Eleven lawmakers from the opposition National

Congress for New Politics [NCNP] have called on former President Choe Kyu-ha to testify in the trial of former Presidents Chon Tu-hwan, No Tae-u and their aides on charges of mutiny and treason slated for July 1.

In a joint open letter sent to Choe Wednesday, Rep. Yu Chae-kon and 10 others said they don't believe Chon and No's assertion that Chon's rise to power following the army mutiny in December 1979 was with Choe's consent.

Now is the time for Choe to bring the truth about Chon's power grab to light so that he can be remembered as a former president the people esteem for his meritorious service to the country, they added.

The Seoul District Court has summoned Choe to testify at the July 1 trial.

ROK: Ministry To Probe Environmental Impact of Nuclear Plants

SK2506012396 (Internet) The Joong-Ang Ilbo WWW in English 25 Jun 96

[FBIS Transcribed Text] Investigations of the environmental impact of nuclear power plants on areas located near them will take place and the results made public in the future.

The Ministry of Trade, Industry and Energy announced that it has come up with a policy for investigating the environmental impact on areas near nuclear power plants in order to protect the health of residents and the environment.

Under this new policy, the Korea Electric Power Corporation (KEPCO) has to conduct regular investigations on the changes and distribution of plankton, kelp, water temperature, heavy metals, the amount of catch and plants and animals in areas within 8 km of the sea and within a 10 km land radius and then report the results to the government.

Burma

Burma: Security Official: All But 3 NLD Members Released

OW2706075496 Tokyo KYODO in English
0725 GMT 27 Jun 96

[FBIS Transcribed Text] Yangon [Rangoon], June 27 KYODO — All but three members of Myanmar's [Burma's] National League for Democracy (NLD) have been released in the wake of a crackdown on the pro-democracy group, a security official of the ruling junta said Thursday [27 June].

The junta arrested 262 NLD members in various parts of the country, including 238 members who won seats in the national parliament in the 1990 general elections, last month ahead of an NLD convention in Yangon.

The junta, known as the State Law and Order Restoration Council (SLORC), launched the detention campaign in mid-May in an apparent attempt to prevent NLD members elected to the parliament from gathering for the convention.

The meeting took place May 26-28 at the home of NLD leader Aung San Suu Kyi. It was timed to coincide with the sixth anniversary of the 1990 general elections, in which the NLD scored a landslide victory by netting over 80 percent of the seats.

NLD sources said that 193 members had been released from detention by the SLORC, including 174 members who won seats in the elections.

Burma: Article Criticizes Aung San Suu Kyi's Talks

BK2706091696 Rangoon MYANMAR ALIN
in Burmese 26 Jun 96 p 5

[Article by Myint: "They Know It"]

[FBIS Translated Text] I am a worker in a company trying to get investment from abroad. I pass by University Avenue on the way to and from work. A South Korean national, a member of the Board of Director, asked me as soon as he got to the office: "Maung Myint, what's new in front of the old lady's [Aung San Suu Kyi] house?" I answered: "Nothing's new." About this time the company phone rang. The South Korean national received an overseas call from his wife in South Korea. The South Korean national was saying: "What? I am to go back to Korea? Did they announce that there was a civil war in Myanmar [Burma] on 27 and 28 May. From which newspaper and radio did you hear this? There is nothing happening here. It's peaceful here. Sue those newspapers and radios for announcing unfounded reports."

Soon afterwards, the South Korean national placed a call to his managing director, an American national, in Bangkok concerning an urgent company matter. The South Korean was heard saying: "What, you don't dare come to Myanmar due to a civil war? Don't be afraid. I have been here for two years and nothing has happened. The gathering in front of that old lady's house is just a cockfighting show by the roadside. The newspapers you read and the radio you have been listening to are spreading unfounded reports. If what they claim is true I would have fled a long time ago. Don't be afraid. We will just continue to attend to our investment matters." After saying that he hung up the phone.

The South Korean national then turned to me and said: "Maung Myint, I have to tell you this. I once served in the South Korean Army with American soldiers. An American is a big fellow with his weapons, but without his weapons he is just a small fellow. They yelled out loud when they were hurt in a fight and would report to the general. When they were slightly wounded by gunfire, they would cry and yell and apply a lot of medicine. They had to flee from Vietnam because they were cowards. We Asians can tolerate pain. We have endurance, courage, and zeal."

"Being married to a foreigner, your old lady can never become a national leader. It would be unacceptable in our country. No country will accept a person married to a foreigner as a leader. Those attending her talks are just unemployed vagabonds. However, when the tourists come in 1996, the old lady's talks can be used as a tourist attraction. What she has been saying will not materialize. People are just interested in their own economic affairs. The people with jobs will not go to her talks."

The Korean national paused and then continued: "No one will render assistance free of charge without reaping some benefit. Even brothers will help for free only up to a month. Our South Korea developed under a military government headed by generals who ruled with a strict hand and promoted disciplined investment. We believe your country is changing and progressing with some momentum. We have been working for two years to secure the right for 100 percent investment. However, we believe we will get the investment one day." I believe the South Korean was making his remarks objectively.

The South Korean continued: "Your old lady is trying to make your citizens starve by discouraging foreign investment and tourism and undermining the government's economic plans." While listening to him, I recalled what my neighbor Ko Khin Nyo said: "Ko Myint, the old lady has been talking nonsense, causing panic and a rise in the price of goods. We are going to suffer."

Burma: Aung San Suu Kyi Interviewed on Swedish Radio

LD2706091296 Stockholm Sveriges Radio Network in Swedish 0600 GMT 27 Jun 96

[FBIS Translated Text] The leader of the democratic opposition in Burma, Aung San Suu Kyi, urges the world not to visit the country and thus demonstrate solidarity with the opposition against the ruling military.

[Begin Aung San Suu Kyi recording in English] We would like to ask the international community to demonstrate their solidarity with our democracy movement by not coming to (visit me in my) [word indistinct]. [end recording]

The request was made by peace prize winner Aung San Suu Kyi to this program's correspondent who has just visited Burma which is under military rule.

Burma: Denmark, Norway To Investigate Death of Joint Consul

LD2406192396 Stockholm Sveriges Radio Network in Swedish 1545 GMT 24 Jun 96

[FBIS Translated Text] Denmark and Norway announced today that they will be sending diplomats to Burma to investigate how Leo Nichols, their joint consul in Rangoon, died in a Burmese prison last Saturday. Nichols had been sentenced to three years in prison, formally for illegal possession of a telephone and a fax machine.

Burma: DKBA Prepares Offensive Against Rival KNU

BK2306104896 Bangkok THAILAND TIMES in English 23 Jun 96 p A2

[Report by Atsawin Phinitwong]

[FBIS Transcribed Text] Tak — Over 200 troops of the Democratic Karen Buddhist Army (DKBA) yesterday moved toward Pulupaw camp with hopes to recapture its former military stronghold from the rival Karen National Union (KNU), Thai authorities said.

Thai military officials said the DKBA members had left its headquarters at Myainggyingu monastery opposite Tha Song Yang district, which is adjacent to Mae Sareang district in Mae Hong Son province.

The group's movement followed recent order by its Buddhist monk leader U Thuzana to attack Pulupaw camp. The rebel forces were planning to join with another DKBA battalion led by Lt-Col Sa Thwe, which was stationing at Pawpata camp, before the offensive.

One of the advancing DKBA troops have been killed by a landmine, believed to be planted by the KNU in the area.

Meanwhile, over 150 KNU reinforcement troops from the 19th Battalion and 7th Division were sent to the Pulupaw camp, opposite Ban Nongboi, Tha Song Yang district. Pulupaw is just one kilometer away from the Moei river.

Both groups have been battling to control the area due to thriving logging business there.

Burma: Fifteen Arakanese Rebels Surrender in Paletwa 16 Jun

BK2306154096 Rangoon Radio Myanmar in Burmese 1330 GMT 23 Jun 96

[FBIS Summary] The radio carries a two-minute report on the return to the legal fold of 15 rebels led by San Shwe Win, commander in chief of the National Unity Party of Arakan [NUPA], along with their arms and ammunition. They surrendered at the Meikwa Military Camp in Paletwa Township in the Western Military Command Region at 1730 on 16 June.

The report says the rebel group includes: San Shwe Win; U Thaik Soe, NUPA Central Committee member in charge of intelligence and economics; Captain Thein Saw Aung; and 12 privates. They brought in one .45 pistol, one Browning medium machine gun, one RPG-7 [rocket propelled grenade-7]; two M-79 launchers, eight AK-47 automatic rifles, one 12-bore shell for a mortar with a folding stock, one long-barrel gun, a BA-63 automatic rifle, 1,420 assorted bullets, and five walkie-talkies.

The reports adds that the Western Military Command welcomed and provided needed assistance to them.

Cambodia

Cambodia: Ranariddh Feels 'Somewhat Ashamed' of Thai Premier

BK2706070896 Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 27 Jun 96 pp 1, 11

[Report by Dararit]

[FBIS Translated Excerpt] Samdech Krompreah Norodom Ranariddh, first prime minister of the Royal Cambodian Government, said he felt somewhat ashamed to see that Thailand appears to love Cambodian forests more than their Cambodian owners do.

The samdech krompreah made this feeling known when he inaugurated a school building at the Svay Chek high

school in Banteay Meanchey Province on the morning of 24 June.

The Prince said: Thailand and Cambodia have good relations with one another, not just in the timber trade. We maintain good relations in many fields and Thailand gives Cambodia aid in many domains.

He said: Concerning the construction of the road from the border to the Banteay Meanchey Province capital, the Thais have assured us that they will help rebuild this road and asphalt it, asking that we provide them with full security. However, we are still unable to meet this security demand. Moreover, the Thais have also helped us with the training of the Khmer Royal Armed Forces and the restoration of the Preah Sihanouk hospital, making it a 500-bed facility with all necessary medical equipment, as well as assisting us in the agricultural and rural development sectors.

The samdech krompreah went on: We have very good relations with each other, not just in the timber trade. The fact is that Thailand has helped us and given us aid.

He added: Contrary to the belief in some circles that Cambodia and Thailand are on good terms only when it comes to selling logs, the truth is Thai Prime Minister Banhan Sinlapa-acha is more careful than we Cambodians as far as the transport of logs from Cambodia is concerned.

The samdech krompreah said: Although in principle the Cambodian prime ministers have already given the Thais a list of companies authorized to export logs from Cambodia to Thailand, the Thai prime minister has still insisted that the Royal Cambodian Government join with the Royal Thai Government in conducting pre-inspections to see that the volume of logs is right and everything is correct.

Mr. Banhan also asked the Royal Cambodian Government to prevent new logs from being exported. If any new logs are found to have been exported by Thai companies, he asked that the Cambodian Government penalize these companies. Mr. Banhan also promised to help check any export of new logs from Cambodia.

The samdech krompreah stressed that it was this attitude that had made him feel somewhat ashamed of Mr. Banhan, seeing that the latter seems to love the Cambodian forests more than Cambodians do. [passage omitted]

Cambodia: Chea Sim Receives New Burmese Ambassador

*BK2706074596 Phnom Penh-REAKSMEI
KAMPUCHEA in Cambodian 27 Jun 96 p 2*

[Report by Pranit]

[FBIS Translated Text] Mr. Thien Han, Burma's ambassador extraordinary and plenipotentiary to the Kingdom of Cambodia, presented his credentials to Samdech Chea Sim, acting head of state and chairman of the National Assembly of the Kingdom of Cambodia, at the Chamka Mon state palace in the late afternoon of 24 June after being appointed ambassador to Cambodia by the Burmese Government.

The Burmese ambassador informed the samdech acting head of state that in his capacity as a Burmese diplomat now carrying out his mission in Cambodia, he would spare no efforts to promote solidarity, friendship, and all-round cooperation between Burma and Cambodia. He hoped that during his stay he would enjoy full cooperation from Cambodian officials at all levels in the interest of the two countries and that there would be no interference in each other's internal affairs.

He went on to say that Cambodia and Burma have similar geographical features and their traditional relations go far back in time. In particular, the two countries share great cultural similarities. Burma has always considered Cambodia as one of its neighbors. It has closely followed the situation and developments in Cambodia, although the situation in the world and in the region in the past is not the same as that in the middle of the 1990's.

It should be recalled that the Union of Myanmar, or Burma, is under the control of a military government and the ruling party is led by the military. Diplomatic relations between Cambodia and Burma were established following an official visit to Burma by First Prime Minister Norodom Ranariddh at the end of 1995.

Samdech Chea Sim briefed the Burmese diplomat on the political, economic, and social situation and developments in Cambodia over the past few years. The samdech acting head of state welcomed Burma's diplomatic mission to Cambodia at these new junctures, saying that it would certainly contribute to promoting the friendly relations and all-round cooperation between Cambodia and Burma, especially the relations between the National Assemblies of the two countries.

Samdech Chea Sim went on to stress that the current situation in Cambodia is marked by restored political stability. He said that although Cambodia has a multiparty system and the Cambodian Government is a coalition,

the present ruling parties are working in close cooperation with one another.

The samdech added that in Cambodia nowadays the National Assembly, the Royal Government as well as all the citizens throughout the country are now most actively engaged in the national rehabilitation and development mission, following more than two decades of war.

Cambodia: Chea Sim Receives Iranian Envoy, Agrees To Visit Iran

*BK2506092496 Phnom Penh National Radio of Cambodia Network in Cambodian
0500 GMT 25 Jun 96*

[FBIS Translated Text] At 1530 on 24 June Samdech Chea Sim, acting head of state and chairman of the National Assembly, received His Excellency [H.E.] (Sayed Kamel Satyadi) who presented his credentials as new ambassador extraordinary and plenipotentiary of the Islamic Republic of Iran to the Kingdom of Cambodia.

On this occasion H.E. (Sayed Kamel Satyadi) informed Samdech Chea Sim about the current economic situation in Iran, where there are many factories, particularly oil refineries. H.E. Iranian ambassador said that the Iranian Government wants to establish relations with the Kingdom of Cambodia on investment and wants to exchange delegations between the National Assembly, government, and investors of the two countries to draw on experiences and use them as assets for developing the respective countries. H.E. (Sayed Kamel Satyadi) pledged to carry out successfully his noble diplomatic mission in Cambodia to further develop and consolidate the existing relations between Iran and Cambodia.

On this occasion, after welcoming H.E. (Sayed Kamel Satyadi), Samdech Chea Sim expressed his joy and accepted an invitation from the Chairman of the Iranian Assembly to visit Iran. He also agreed with the proposal of the Iranian Government to set up the Cambodian-Iranian friendship association. Samdech Chea Sim also informed the guest about the current situation in Cambodia, particularly about the preparations to discuss the nationality law, recently proposed by the Royal Government.

Cambodia: Ranariddh Receives Iranian Envoy, Talks About Investment

*BK2606090696 Phnom Penh National Radio of Cambodia Network in Cambodian
0500 GMT 26 Jun 96*

[FBIS Translated Text] On 25 June Prince Krompreah Norodom Ranariddh, first prime minister of the Royal

Government of Cambodia [RGC], received at the Council of Ministers' office His Excellency [H.E.] (Sayed Kamel Satyadi), ambassador of Iran.

The samdech first prime minister welcomed the diplomatic mission in Cambodia of H.E. (Satyadi) to consolidate the two countries' friendly relations. During the meeting the prince krompreah also focused attention on cooperation and development, including economic development, and agricultural and industrial investment. He called on the ambassador to examine and provide assistance in these fields.

The Iranian ambassador expressed joy at the prince krompreah's statement and pledged that he will strive to examine the prince krompreah's proposal since it is possible that Iran could help in these sectors. The ambassador voiced strong support for the RGC's plan to develop the country, particularly in the area of investment.

The prince krompreah first prime minister said that Cambodia will be an ASEAN member soon and that this would enable Cambodia to have relations with various countries, particularly relations concerning investment.

Cambodia: Police Investigate Reports KR Hostages Murdered

*BK2606091596 Hong Kong AFP in English
0739 GMT 26 Jun 96*

[FBIS Transcribed Text] Phnom Penh — June 26 (AFP) — Cambodian police are investigating a report that 14 of about 70 villagers being held hostage by Khmer Rouge [KR] guerrillas had been brutally murdered with axes, a senior official said Wednesday.

"We have heard the report, but we are still trying to confirm it independently," said Hor Sok, the secretary of state for the ministry of interior.

He said investigators looking into the report were expected to return soon to Phnom Penh.

The hostages, most of whom worked for illegal logging and sawmill operations in the southern province of Kampot, have been held by the rebels since June 15 when they and about 70 others fell victim to the country's largest-ever mass abduction.

About half of the hostages had been released unharmed as of Sunday, according to the interior ministry.

But officials with the human rights group Adhoc on Tuesday said a survivor of the alleged axe attack told them that 14 hostages, including the owner of the sawmills and 13 others suspected of having links with the army, were hacked to death on June 21.

The group's director Thun Saray said the survivor had been wounded in the shoulder during the attack but had managed to escape.

No government agency or other group has been able to confirm that the attack occurred.

The Khmer Rouge are believed to have kidnapped the workers because the sawmill owner had not paid them a concession fee to cut wood from forests under their control and have demanded a 20,000-dollar ransom for their release.

The incident has highlighted the difficulties in enforcing Cambodia's logging restrictions which have already been criticized as being too lax by environmental groups, the World Bank and the UN.

Under that policy all new logging and the export of felled timber was banned after May, 1995, but critics have said both the government and the Khmer Rouge are routinely violating the ban.

Cambodia: Sawmill Owner Seeks Money for Release of Kidnap Victims

BK2706091896 Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 27 Jun 96 pp 1, 11

[Report by Meanop]

[FBIS Translated Excerpt] A high-ranking official in Kampot Province told REAKSMEI KAMPUCHEA in the late afternoon of 25 June that the owner of the illegal sawmill whose 100-plus workers have been held for ransom by the Khmer Rouge since 15 June was seeking money to be given to the Khmer Rouge in exchange for the release of all his workers. The official said he was doing this only after being heavily reprimanded by Co-Interior Minister Sar Kheng and Interior Secretary of State Ho Sok, who held the sawmill operator responsible for the above mishap.

The Kampot Province official who requested anonymity went on to reveal that the plant owner was seeking \$20,000 as payment to the Khmer Rouge, but he did not know whether the man had succeeded in raising this sum or not. He said that a number of top provincial officials felt very uneasy because they had permitted the sawmill to operate illegally contrary to the decision of the Royal Government. No one knows yet what measures the Interior Ministry will take against the high-ranking officials of Kampot Province engaged in corrupt practices leading to the kidnapping by the Khmer Rouge and possibly to the deaths of dozens of Cambodian workers at the hands of their Khmer Rouge captors.

Interior Minister Sar Kheng told journalists on 24 June: "The illegal sawmill operators must be responsible

for securing the release of those captured by the Khmer Rouge because this has nothing to do with the government; it is a question of money between the company owner and the Khmer Rouge."

Sar Kheng stressed that "if this company pays the ransom to the Khmer Rouge, the hostages will surely be released." Sar Kheng then disclosed the reason that led the Khmer Rouge to kidnap the workers, saying: "We have learned that the sawmill owner did not pay money to the Khmer Rouge for the right to cut trees in the region under their control and this was the cause of the kidnapping. So, the plant owner must be responsible for securing their release."

A contingent of Interior Ministry and Army forces was dispatched to Kampot Province to assist in the efforts to free the workers. Kampot Province officials said that many workers had already been released by the Khmer Rouge and, according to them, the Khmer Rouge only wanted rice and money. Based on observations, if rice and money are offered to them, the Khmer Rouge will surely free the rest of the captives. [passage omitted]

Cambodia: Communique on CPP Central Committee Meeting

BK2706071996 Phnom Penh National Radio of Cambodia Network in Cambodian 1200 GMT 26 Jun 96

["Communique on the 21st Meeting of the Cambodian People's Party Central Committee" in Phnom Penh; dated 26 June — read by announcer]

[FBIS Translated Text] For two days, from 25 to 26 June 1996, the expanded 21st meeting of the fifth Central Committee of the Cambodian People's Party (CPP) was held under the lofty chairmanship of Samdech Chea Sim, party chairman; Samdech Heng Samrin, party vice chairman [title as heard]; Samdech Hun Sen, party vice chairman; and Samdech Heng Samrin, honorary party chairman.

The meeting discussed the situation for the first half of 1996 and set the party's policies, targets, and plans for the next period.

I. The meeting assessed the general situation in Cambodia for the first half of the year. Stability was maintained and the future looks optimistic, although some complex problems remain.

National reconciliation at the initiative of revered His Majesty King Norodom Sihanouk and the queen has made progress. The cooperation between the CPP and various political forces in society is now a powerful force that defends the Constitution and the continuity

of the Royal Government, and consolidates the political stability to develop the country.

The implementation of multiparty liberal democracy within the framework of the Constitution has further strengthened political rights and freedom of the press, which is ensured by law. Respect for human rights has improved, as the people are much more aware of human rights. Many violations have been successively prevented.

The restoration and development of the country have been actively promoted and has brought concrete results. It has also created an optimistic atmosphere for the future.

The Royal Government has made many efforts to implement the program to rehabilitate and develop the economy, in particular the preparation to set up the first five-year economic and social development plan for 1996-2000.

Various countries that pledged assistance have successively provided it in order to assist with restoring Cambodia's economy.

The CPP would like to express gratitude forever to all countries and various international organizations for their precious assistance to the Kingdom of Cambodia. Investment has brought some results, particularly in the areas of agriculture, industry, garment, tourism, and so on.

Apart from this, political parties, nongovernmental organizations, personalities, and generous persons have also provided funds to assist in the construction of various structures for the benefit of society and the nation. This has contributed to alleviating the hardship of the people, particularly the poor people.

The CPP is proud because its leaders, members, and many party supporters have actively taken part in building various structures to serve the people. Efforts to prevent destructive activities by the outlawed Khmer Rouge rebels to protect the people's lives and property have also been successful. The implementation of the clemency policy for officers, troops, and families who live in Khmer Rouge barracks has awakened these compatriots; thousands of them have returned to the fold.

Security has been strengthened with successive efforts made to prevent illegal activities, armed robbery, kidnapping, and psychological threat to town people and investors, and so on.

The CPP vigorously denounces all brutal and cruel acts and asks that relevant ministries take measures

to repress them and firmly punish the perpetrators, ringleaders and their accomplices.

The meeting would like to express the most profound gratitude to the people in all walks of life, officials, employees, workers, armed forces, and various political and international forces for their past participation with the Royal Government and the CPP to defend the Constitution and the continuity of the Royal Government.

Along with this, the CPP Central Committee would also like to express the most sincere admiration for all CPP officials and members who have observed the party's discipline, agreed with the party lines, firmly maintained the party's internal unity, remained calm, exercised patience, and made efforts to thwart any problems that may bring danger to our nation and people.

The 21st meeting of the CPP Central Committee would like to express thanks and great admiration for Cambodian compatriots living abroad who have been closely following the activities of the CPP and who have rendered justice to the CPP.

II. As for the targets in the next period, the meeting has adopted its stance on a number of issues.

1. Continue to follow the lofty leadership of His Majesty King Norodom Sihanouk and the queen, the cool shade of the Cambodian people.

2. Pledge to defend the Constitution and the continuity of the National Assembly and the Royal Government until the end of their terms.

3. Continue to implement the policy of national reconciliation on the basis of thwarting all maneuvers of the genocidal group, all sorts of allies of the genocidal group, and those who use the genocidal group for political clout.

Support and take part in implementing the clemency policy for officers, troops, and families of the Khmer Rouge who have awakened and returned to society to work together in building the country.

The meeting decided to continue promoting the cooperation with the U.S. Center researching the genocidal crimes of Pol Pot in order to bring the genocidal ringleaders to trial.

4. Continue to cooperate with various parties and other political forces, particularly the alliance with FUNCINPEC (National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia), for the cause of peace, stability, and progress of the country and nation based on the memorandum of the CPP dated 26 March 1995.

5. Defend the people's rights and freedom as stated in the law; defend social justice; and oppose violation and the illegal use of force and all kinds of corruption.

The meeting decided to set up a human rights committee attached to the Central Committee in order to ensure that respect for human rights is effectively carried out in the Kingdom of Cambodia.

6. Ensure that the positions, ranks, and roles of civilian, military, and police officials of the Khmer Royal Armed Forces and the National Police are protected and maintained in accordance with the common statute for officials and the existing laws. Thwart all threats to remove innocent officials from their positions for illegal reasons.

7. Support and promote the election of commune heads in 1997 and the election of people's representatives in 1998. Support the principle requiring that political leaders have only Cambodian nationality.

8. Continue to support and promote the development of the country by giving priority to agriculture, infrastructures, roads, electricity, and the development of human resources. Promote rural development through agricultural development by implementing a water and irrigation canal policy, the construction of small waterworks, dikes, canals, reservoirs, wells, roads, bridges, schools, hospitals, monasteries, and various development centers.

The CPP insistently asks the United States to kindly and definitively grant Cambodia the most favored nation status, MFN, so that Cambodia can quickly restore and develop the country.

9. Pay further attention to expanding the role of women in society. Strive to create conditions for promoting vocational training aimed at solving job problems for youths and students who have finished their studies.

10. The CPP will hold a nationwide extraordinary congress in early 1997 to set the party's political program, examine and amend the party's rules, and elect additional Central Committee members.

The slogans of the party is: Everything for peace, stability, and progress.

The meeting decided to establish relations with parties of various countries for cooperation for mutual benefit.

The CPP Central Committee would like to appeal to all party levels and all party members, in and outside the country, to heighten their morale and strive to successfully implement all the political tasks set by the expanded 21st meeting of the party Central Committee for the cause of our beloved nation and people.

Phnom Penh, 26 June 1996

Indonesia

Indonesia: Government Maintains Stand on National Car Program

BK2606093596 Jakarta MEDIA INDONESIA in Indonesian 25 Jun 96

[Unattributed report — received via Internet]

[FBIS Translated Text] Jakarta (MEDIA) — The Indonesian Government continues to maintain its stand on the national car program despite U.S. pressures. People involved in the automotive industry in that country believe that Indonesia's national car program has violated several WTO regulations.

Speaking to reporters for the first time since returning from the United States and other countries yesterday, Industries and Trade Minister Tunku Ariwibowo said that in defending itself from the allegation, Indonesia continues to adopt the principle that in formulating its national car program, the government has carefully studied the WTO regulations. "A meeting of senior officials will discuss the issue further," said Tunku.

"I told them that each country has its own interests. When I visited these countries, it was obvious that I must defend Indonesia's interests. Similarly, if a U.S. official comes here, he will defend U.S. interests," he said.

The industries and trade minister claimed he knows nothing about the main objectives of U.S. Secretary of Commerce Mickey Kantor's visit this week. However, he said that the U.S. secretary of commerce will hold talks with him and President Suharto. "In short, I will be his host during his stay here," Tunku said.

Tunku was evasive when he was asked whether Mickey Kantor will use Super 301, an economic sanction measure normally imposed on countries which have damaged U.S. economic interests. Tunku said this question should be directed to Mickey Kantor.

Indonesia: MP's, Industry Minister Discuss National Car Policy

BK2606102896 Jakarta THE JAKARTA POST in English 26 Jun 96 p 1

[Unattributed report]

[FBIS Transcribed Text] Jakarta (JP) — House of Representatives members suggested yesterday the government revise its automotive development policy, a policy which allows "national cars" to be manufactured in South Korea by a foreign company.

"Regulations related to the national car project are inconsistent and contradict each other," a member of the

House Commission VI [Roman six] for industry Frans Kerra said during a hearing with Minister of Industry and Trade Tunku Ariwibowo.

Frans contended that Presidential Decree No. 42/1996, which allows the "Timor" car to be made in South Korea as long as production involves Indonesian workers and includes Indonesian components contradicts previous regulations requiring the cars to be produced in Indonesia by a company wholly owned by Indonesian citizens.

In February, the government offered to drop import duties and luxury sales tax on cars containing 20 percent local content by the end of the first year of production. The domestic car maker had to increase this to 40 percent by the end of its second year and 60 percent by the end of the third year of production.

The government then appointed PT [Company Limited] Timor Putra Nasional, a company owned by President Suharto's son Hutomo Mandala Putra, as the only company eligible to produce the "national car." Timor Putra agreed to make the car in cooperation with KIA Motors Corp. of South Korea.

Timor Putra, which did not have a functioning assembly plant, found it difficult to convince competitors to help assemble its privileged automobiles. The president, therefore, issued Decree No. 42/1996, allowing Timor Putra to have the car manufactured in KIA's South Korean industrial complex and then imported fully assembled.

Yesterday, Minister Tunku said the government requires KIA and Timor Putra to reach a countertrade arrangement. KIA must buy Indonesian components worth 25 percent of the value of the cars Timor will import.

He said the government required Timor Putra to establish a banking guarantee equivalent to the duty and luxury tax that would have been imposed on the tax-exempted cars.

If Timor Putra fails to meet the Indonesian component condition, it will have to pay the unpaid duty and luxury tax on each car imported, he said.

Indonesia: Minister Dismisses Reported Revision to Car Program

BK2706100196 Jakarta MEDIA INDONESIA
in Indonesian 27 Jun 96

[Unattributed report — received via Internet]

[FBIS Translated Text] Jakarta (MEDIA) — Industries and Trade Minister Tunku Ariwibowo has dismissed reports that there will be a revision to the national car program, which has been awarded to Timor Putra

Nasional Co. Ltd. [TPN] to carry out the program in the coming three years.

Tunku said the government has selected only one company — TPN — to implement the national car program in the coming three years. He added that should the company face any difficulties, the government would extend its assistance.

"This is because we want to ensure the success of this program," he said after he meeting with U.S. Secretary of Commerce Mickey Kantor in Jakarta yesterday.

When asked whether other companies would get similar tax facilities as TPN has, the minister confirmed the government's stand that TPN is the only company that receives the facilities. The government would grant such facilities at a later date, however, should another company submit its application. "There will be no revision to the government's national car policy," he stressed.

On the recent agreement reached with parliament's Commission VI, Tunku said it is true that any company is eligible to apply to produce the cars, but that the government will assess its capability and decide at the time if a license will be issued; therefore Tunku felt he did not contradict his earlier statements as reported by several newspapers. He expressed the belief that his statements were always consistent, and said: "Only one company is given the facilities to produce national cars."

He said he has reached an agreement with the parliament's commission that there will be no monopoly on the national car production. Commenting on the national car brand, Tunku said there is no problem with it, and cited the case of Indomobil Co. Ltd., which has submitted the name of its cars.

Meanwhile, U.S. Secretary of Commerce Mickey Kantor gave an indirect reply when he was asked whether the United States would take the national car program to the WTO. He merely said that he wanted to see a healthy economic growth in Indonesia. "This is a challenge that every country must face," he said.

Indonesia: East Timor Guerrillas Kill 'at Least' 20 Suharto Troops

LD2606165396 Lisbon RDP Antena 1 Radio Network
in Portuguese 1600 GMT 26 Jun 96

[FBIS Translated Text] There have been violent clashes in [East] Timor between guerrillas and Indonesian troops. A source in the resistance movement has said that at least 20 soldiers of Suharto's 745 battalion were killed in a guerrilla ambush between Baucau and Vemasse.

Meanwhile Lisbon and Jakarta are about to start another round of negotiations. The Indonesian foreign minister is already in Switzerland and [Portuguese Foreign Minister] Jaime Gama left for Geneva today.

Indonesia: Military Officer Discloses Irian Jaya Rebels' Surrender

BK2606093496 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 26 Jun 96

[FBIS Translated Text] More followers of Irian Jaya GPK [security disturbance movement] leaders Kelly Kwalik and Daniel Yudas Kogoya have voluntarily surrendered to ABRI [Armed Forces of the Republic of Indonesia] units. As of yesterday, a total of 639 GPK followers had surrendered to security authorities in Irian Jaya's Jayawijaya district.

Speaking in Timika, Lieutenant Colonel M.A. Munajat, commander of the Trikora Eighth Regional Military Command's Sector G, said Kelly Kwalik and Daniel Yudas Kogoya have instigated and even threatened to murder people in Irian Jaya rural areas if they do not leave their village and join GPK in the jungle.

Indonesia: Defense Minister Meets UK, ROK Defense Officials

BK2406141896 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 24 Jun 96

[FBIS Translated Text] Defense and Security Minister Edi Sudrajat has reiterated that the Indonesian-Australian agreement on maintaining security is not a military pact. The agreement is the basis of a mutual understanding to counter possible threats to their respective security. The defense and security minister said this in reply to a question by Michael Portillo, British secretary of state for defense, during a courtesy call at the Department of Defense and Security in Jakarta today. The British secretary of state for defense understood and appreciated the agreement.

Meanwhile, the defense and security minister also received Yi Chong-lin, South Korean vice minister of national defense. The South Korean vice minister of national defense praised the success of Indonesia's development plan and expressed his country's pledge to further enhance the already good relations and cooperation with Indonesia.

Indonesia: ROK Purchases 8 Military-Version CN-235 Planes

BK2606124796 Jakarta MEDIA INDONESIA in Indonesian 26 Jun 96

[Unattributed report — received via Internet]

[FBIS Translated Excerpt] Jakarta (MEDIA) — President Suharto yesterday witnessed the signing of an agreement for the purchase of eight military-version CN-235 aircraft worth US\$120 million by South Korea. The aircraft are produced by Indonesia's Nusantara Aircraft Industries (IPTN).

Research and Technology Minister B.J. Habibie, in his capacity as IPTN director, and South Korean Defense Minister Yi Chung-in, signed the agreement at the Indonesia Air Show's Indonesian Pavilion at Jakarta's Sukarno-Hatta International Airport.

Aditya Kusuma, IPTN deputy director for marketing, said the agreement includes 30 offset [preceding word in English] for further purchase to be specified later.

Aditya added that South Korea will use the 30 military-version CN-235 aircraft as personnel transport planes. The IPTN will deliver the planes between the end of 1997 and early 1998.

Meanwhile, Lieutenant General Suyono, chief of ABRI [Armed Forces of the Republic of Indonesia] General Affairs, said ABRI now needs a number of tanks and military trucks from South Korea as countertrade with the CN-235 planes. "They are needed to replace our outdated defense equipment," Suyono said, adding that most of ABRI tanks were made in the 1960's while the latest models are made in the UK.

President Suharto also witnessed the signing of a memorandum of understanding by executives of the IPTN, Boeing, Hughes Electronic, and Daimler Benz Aerospace.

Details of other business transactions on the third day of the Indonesia Air Show were not immediately available, but Garuda Indonesia airlines confirmed that it has purchased 23 Boeing 777 passenger planes worth US\$1.6 billion. [passage omitted on Indonesia Air Show activities and display]

Indonesia: East Timor Governor Comments on Suit Against Portugal

BK2206133696 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 22 Jun 96

[FBIS Translated Text] On behalf of the East Timorese people and several pro-integration fighters, East Timor Governor Abilio Jose Osorio Soares has filed suit

against Portugal at the International Court of Justice [ICJ] in The Hague, the Netherlands over Portugal's 450-year colonial rule in the territory. The documents for the suit by the East Timorese people against Portugal were submitted to the ICJ two months ago. A Portuguese reply is awaited.

Governor Soares told journalists in Dili today that the suit emerged from the consciousness of the East Timorese people because the Portuguese colonialists abandoned the territory irresponsibly. According to the suit, Portuguese colonial rule brought about misery, suffering, and civil war in East Timor. He said the suit was not initiated by the Indonesian Government but fully emerged from the consciousness of the East Timorese people.

Indonesia: Officials Comment on New Loans by CGI Donor Countries

BK2106143296 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 21 Jun 96

[FBIS Translated Text] The fifth meeting of the Consultative Group on Indonesia [CGI] ended in Paris yesterday and agreed to provide soft loan worth \$5.26 billion to Indonesia for the 1996-97 fiscal year. The amount is lower than that of the 1994-95 fiscal year, which was \$5.36 billion.

Russell Cheetham, chairman of the fifth CGI meeting, said even though the loan has decreased in terms of the dollar amount, it has increased by about 7 percent if the dollar exchange rate for 1995 is used. He noted that donor countries grouped in the CGI have praised Indonesia's economic performance and its efforts to eradicate poverty. As CGI's largest donor, Japan even raised its loan by 10 percent.

Saleh Afiff, coordinating minister for economics, finance, industry and development supervision, who is Indonesia's chief delegate to the CGI meeting, expressed his satisfaction over the outcome of the meeting. Gi-nanjar Kartasasmita, state minister of development planning, said the amount of this year's CGI loan is higher than earlier expected because Indonesia had expected to receive an equal loan from last year.

Indonesia: Minister Urges PDI To Solve Internal Problems

BK2706095796 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 27 Jun 96

[FBIS Translated Text] The government hopes that the Indonesian Democratic Party's [PDI] internal problems can be solved soon by placing common interests above individual or group interests. Susilo Sudarman, coordinating minister for politics and security affairs, said this

to reporters in Jakarta this afternoon after chairing a coordinated meeting on politics and security. He added that a wise attitude and action are needed from all quarters, including PDI members themselves, because PDI is a national asset. It is hoped that PDI will be able to give positive influence toward national unity and integrity in view of the 1997 general elections and the general session of the People's Consultative Assembly in 1998.

The meeting also discussed the East Timor issue and believed that the issue is closed for Indonesia, as it sees East Timor becoming the country's 27th province. Regarding national stability in June 1996, it was decided the situation is stable and under control, but people are requested to maintain vigilance and safeguard the long-standing national unity and integrity.

Philippines

Philippines Government Clarifies Role of SPCPD in Mindanao

BK2606133096 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 0930 GMT 26 Jun 96

[FBIS Translated Text] The government has clarified the role of Southern Philippines Council for Peace and Development, or SPCPD, in Mindanao. SPCPD will administer or oversee projects that will be implemented there.

According to Alexander Aguirre, the government peace panel member in talks with the Moro National Liberation Front, the power of local officials will still be retained in their respective localities. Aguirre was referring to the officials of 14 provinces and nine cities in the south.

Philippines: Official Details SPCPD Role in Mindanao

BK2706071596 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 26 Jun 96

[FBIS Translated Text] Groups opposed to the Southern Philippines Council for Peace and Development [SPCPD] will most likely be placed under the council. According to Alexander Aguirre, presidential management staff head, there is nothing wrong if Christian communities, despite their opposition, are placed under the council.

[Begin Aguirre recording in progress, in English] ...by the council. So, what is wrong if you undertake economic development projects. Anyway, the local government officials will not be prejudiced in their local powers of autonomy and responsibilities. The local government code will continue to be there, and what the

council will do will be (?supplementary); there will be no interference in the affairs of the local officials. [end recording]

Aguirre believes that if the plans are explained clearly, opposition will be removed. Fourteen provinces and nine cities are expected to be placed under the council to be headed by MNLF [Moro National Liberation Front] Chairman Nur Misuari.

The Southern Philippines council for Peace and Development will not only be headed by the MNLF but will be also dominated by it, thus appearing as an autonomous government. Based on the documents signed by the RP [Republic of the Philippines] peace panel chairman Manuel Yan and MNLF chairman Nur Misuari and two representatives of the organization of Islamic conference, the chairman, vice chairman and three deputies will represent the Muslims, Christians, and Lumads; they will be appointed by President Ramos. However, the selection will be based on the recommendations of the MNLF.

Meanwhile, Malacanang welcomes the petition to the Comelec [Commission on Elections] for an extension for the filing of certificates of candidacy in the coming election in the Autonomous Region for Muslim Mindanao on 28 June.

[Begin unidentified official recording, in English] They are asking for a postponement or the extension of that deadline, certainly, we support that. Well, the petition had nothing to do, at least nothing to interfere directly with, the peace process or the prospects of the MNLF coming to the picture. It thus coincided with our desire to give MNLF enough time and enough leeway of the opportunity to finalize their decision on this matter. [end recording]

Malacanang hopes that the extension will give it enough time to convince Misuari to run in the Autonomous Region for Muslim Mindanao elections.

Philippines: MILF 'Has No Intention of Sabotaging' SPCPD Pact

BK2706063796 Quezon City Radio Filipinas in English 0230 GMT 27 Jun 96

[FBIS Transcribed Text] Senator Ramon Magsaysay Jr. revealed that the Moro Islamic Liberation Front or MILF headed by Hashim Salamat, has no intention of sabotaging the function of the Southern Philippines Council for Peace and Development or SPCPD, agreed upon by the government peace panel and the Moro National Liberation Front, MNLF. The Senate committee on national defense vice-chairman learned from MILF political affairs head Ghadzali Jaafar that whatever pact

signed or agreed upon by the government panel headed by Ambassador Manuel Yan and MNLF Chair Nur Misuari shall be scrutinized by the MILF higher organ.

The SPCPD model, projected result of which is to implement the Tripoli Agreement in Muslim Mindanao shall be subjected to MILF consultation from the guerrilla rank all the way up to Salamat. Magsaysay said Salamat's MILF has an open policy as regards the extension of autonomy in Mindanao from the regional four Autonomous Region of Muslim Mindanao or ARMM to 14 provinces and nine cities as provided for in the 1976 Tripoli Agreement.

Magsaysay added that the MILF is also monitoring the Yan-Misuari talks. He also asked the peace panels legal expert to further study the possibility that this SPCPD concept might violate certain provisions of the Local Government Code, the PNP [Philippine National Police] Law and the Salary Standardization Act for Government Employees. Magsaysay made these assessments following reports that some LGUs or local government units, mayors and governors reject the SPCPD as well as its functions and objectives.

On the PNP Law, Magsaysay called the attention of the government peace panel to study if legislation is needed in the proposed integration of the MNLF with the AFP [Armed Forces of the Philippines] and how this will affect the PNP and its powers and functions.

Another shadowy area is who will pay the salary of government employees should SPCPD's objectives materialize.

Philippines: Ramos Reports Progress in Talks with Communists

BK2706064196 Quezon City Radio Filipinas in English 0230 GMT 27 Jun 96

[FBIS Transcribed Text] Philippine President Fidel Ramos said Wednesday, government and communist peace negotiators have exchanged drafts of an agreement on observing human rights in talks that opened in the Dutch capital last week. In a statement, President Ramos said talks with the National Democratic Front, the rebel umbrella group have finally moved on from procedural issues to the substantive matters to end the 27-year old communist insurgency.

President Ramos said the two panels have clarified the framework and the principles that will guide future discussions and a recess has been called for consultation. The two sides would study the drafts they exchanged for a proposed agreement covering human rights and international humanitarian law. President Ramos said

Chief Government Negotiator Howard Dee will return to Manila on Thursday to report.

President Ramos expressed the hope that the latest development in the talks will bring both sides closer to discussions on social economic reforms, political reforms and an end of hostilities and disposition of forces. He said his government is determined to work with the rebels to forge a genuine peace based on justice and democracy.

He challenged the rebels to work with the government as partners not as adversaries so that together they can finally answer the people's decades-long demand for peace. Government negotiator Dee urged the rebel panel to agree to a nation-wide ceasefire for the remainder of the talks. The National Democratic Front represents 14 underground Marxist groups including the Communist Party of the Philippines and its military wing the New People's Army. Some of its leaders are based in the Dutch City of Utrecht.

Formal negotiations were stalled for about a year after the government captured and refused to free communist guerrilla Commander Sotero Llamas. The rebels insisted Llamas was one of their consultants but the government said he had not been properly accredited before his capture. The talks resumed a few days before Llamas was freed on orders of the court where he is facing ordinary criminal charges. The court has ordered the charges be reinvestigated.

Philippines: Armed Forces Chief Approves First Defense White Paper

BK2606132596 *Quezon City Radio Filipinas in English* 0230 GMT 25 Jun 96

[FBIS Transcribed Text] Armed Forces chief General Arturo Enrile has approved the country's first-ever defense white paper which explains the defense policy in the context of both the changing security environment in the Asia-Pacific as well as economic and political development in the Philippines. The Philippines would be the fourth country in the Association of Southeast Asian Nations, or ASEAN, to come up with a defense white paper. Thailand, Indonesia, and Singapore have already released their own defense white papers.

Sources said that after being signed by Enrile, the draft defense white paper was submitted to the Department of National Defense (DND) for approval. Sources in Camp Aguinaldo (military headquarters) said Defense Under Secretary Feliciano Gacis is now studying the draft. Copies of the document would be released to the public once this is approved by Defense Secretary Renato De Villa.

The 40-page white paper defines the national defense policy and the broad operational strategy of the DND and the AFP [Armed Forces of the Philippines]. How the AFP intends to promote and protect the interest of the Philippines is also explained in the document, which is intended for general circulation. It also explains how the economic development and political stability in the country shape the defense priorities of the government. The white paper states the multiroles or functions of the AFP and explains why the AFP would be embarking in a 15-year modernization program.

Sources said that the DND move to come out with the defense white paper is in line with the government's thrust towards transparency to enlighten the Filipino public about the government's basic defense policies and to send the right signals to the other countries.

The 40-page document is divided into six chapters. The first chapter discusses the security situation in the Asia-Pacific region and the major powers in the region and identifies potential crises and sources of instability in the Asia-Pacific region.

The second chapter discusses security in Southeast Asia focusing on the regional cooperation and increased defense spending as well as arms buildup, modernization of various armed forces in the region, and other security issues.

A brief discussion on the country's political system, economic development, social cohesion, current defense capabilities, and geography is contained in Chapter Three.

The next chapter states the national defense priorities of the country and describes the RP [Republic of the Philippines]-U.S. defense partnership as well as the government's policy supporting the UN peacekeeping operations.

The fifth chapter describes the country's defense strategy in the context of regional cooperation in the Asia-Pacific and wider strategic linkages with other nations.

The last chapter explains the priorities in the development of the AFP and describes the government's policy with regards to defense industry and technology.

Thailand

Thailand: 'Main Objective' of Kantor Asia Visit Viewed

BK2706055996 *Bangkok THE NATION in English* 27 Jun 96 p B3

[Report by Chirawat Na Thalang]

[FBIS Transcribed Text] General Motors Corp's recent decision to locate its U.S. \$750 million (Bt8.75 billion)

plant in Thailand reflects an attempt by America to make a return to a region dominated by Japanese business for decades.

"The region is clearly the most dynamic market in the world. But I am afraid that the U.S. is not paying enough attention to it," an official at the U.S. Embassy said. U.S. Commerce Secretary Mickey Kantor's visit to Thailand and other countries in the region is a U.S. effort to make up for lost time in East Asia. The Clinton administration has repeatedly indicated that Asia poses significant challenges and opportunities for U.S. trade policy.

According to a White House press release, the economies of the Asia-Pacific region are the world's most dynamic, growing at three times the rate of the world's established industrial economies.

Asian growth cannot be underestimated. Projections show that by the year 2000 the East Asian economies will form the largest market in the world for U.S. exports, surpassing those of Western Europe and North America.

Meanwhile, America is on the move. Figures released by the United Nations indicate that worldwide foreign direct investment in manufacturing facilities equipment and service operations hit \$325 billion last year, up 46 per cent from 1994. American companies accounted for the biggest chunk of that investment, pouring a record of \$95 billion into overseas affiliates. The U.S. Commerce Department said that is three times the amount just five years ago.

Apart from Thailand, Kantor, the former U.S. Trade Representative (USTR), will this week visit South Korea and Indonesia, both of which are classified as big emerging markets by the U.S. Commerce Department. The official from the Commercial Service noted: "It is very hard to pick one country to represent the ASEAN region. ASEAN is equally important in its own way, so they decided that Indonesia was not a good choice to represent ASEAN. They basically opened up a big emerging market concept and Thailand is a part of that."

Kantor's trade mission will consist of eight business leaders from U.S.-based companies, including United Technologies, Sprint Corporation, Ellicott International, Fluor Corporation, Parsons Transportation Group and Salomon Brothers Asia Pacific.

Kantor will focus on three primary economic sectors, automotive, telecommunications and transport infrastructure, during his Asian trip. "Kantor likes to do things in a sectoral approach," the official from the Commerce Service said. After all, the three sectors are "hot subjects" for U.S. businesses.

Kantor expects to meet ministers in charge of industry and telecommunications to ask about the current situation in the sector and Thailand's industrial development plans. "A lot of things are happening in Thailand." We hope to be briefed about the country's Telecommunications Master Plan and what will happen in the future following the economic development blueprint by the National Economic and Social Development Board," the official said.

The American official said that the trip will also aim to encourage parts manufacturers to invest in Thailand. Thai and U.S. authorities have initiated the "Alliance for Mutual Growth" project, whose one of objectives is to match U.S. investors with parts producers in Thailand.

"The automotive sector is a classic example of how the Americans arrived too late. We left the market to the Japanese for a long time," the embassy official said.

Aggressive Japanese business tactics have given Japanese auto-makers a 91 per cent share of the Thai market. GM's huge investment is aimed at slicing off a 10 per cent share by the year 2000. Ford Motor Co and Mazda Motor Corp have teamed up in a \$500 million joint venture to produce and market pick-up trucks in Thailand and Asia. Chrysler, meanwhile, has started assembling the Jeep Cherokee at a Thai-Swedish assembly plant.

American investors are also keen to explore opportunities in the telecommunications sector. "We have a very open and competitive market," the official noted. U.S. telecommunications companies have already started to penetrate the Thai market. New York-based Nynex holds shares in TelecomAsia Plc. Motorola, the U.S. mobile telephone supplier, has cooperated with Ucom Group in Thailand.

Trevor C Rowe, chairman and co-chief executive officer of Salomon Brothers Asia Pacific, was quoted as saying: "This gives U.S.-based companies an opportunity of furthering business interests in this important and rapidly developing region."

Asked why in the past the American manufacturing sector was not active in East Asia, the embassy official said: "Part of that is because we have not been export-oriented as a country. If we chose to do business it was in countries close to home."

In addition, a lot of them were not educated about the market. They were not really aware of how much Thailand has developed.

They are also concerned about their lack of knowledge of business tactics in the Kingdom.

For instance, many things are not spelt out in rules and regulations. "And if there was any confusion, it scared them away," the official said.

Because he was the former USTR, Kantor is likely to raise the pending issues at the World Trade Organisation, including financial services, telecommunications and maritime transport. "If he does not, frankly, it would seem to be too diplomatic," the official said.

However, the official noted that Kantor might raise the issues but not with the USTR as the messenger. "He is looking at the broader picture. He must look at the possible side of doing business. That is the main objective of the trip."

Thailand: Deputy Prime Minister Says Economy 'Stable'

BK2506092296 Bangkok Radio Thailand Network
in Thai 0000 GMT 25 Jun 96

[FBIS Translated Text] Speaking to reporters at the Princess Hotel yesterday, Amnuai Wirawan, deputy prime minister and foreign minister, cited the concerns of various parties over the country's current account deficit and inflation. He said that the government wants the economy to slow down in order to solve the inflation problem and readjust the economic structure to a suitable level. Amnuai, however, reaffirmed that the country's economy is still stable. While economic growth might decline, this would not be damaging. He added that it is necessary to solve the slowdown in exports. The Economic Coordination Committee, appointed by the prime minister, will meet on Tuesday. The committee will help improve cooperation between various ministries.

Thailand: Foreign Analysts View Thai Economic Future

BK2706092096 Bangkok BANGKOK POST
in English 27 Jun 96 p 17

[Report by Chirathat Niwatphumin]

[FBIS Transcribed Text] Foreign analysts from Standard and Poor's yesterday voiced confidence in Thailand's economy despite local concerns about inflation and the current account deficit.

The credit rating service recently reaffirmed Thailand's long-term local currency rating of "AA" and an "A" rating for long-term foreign currency. The rating for short-term foreign currency is "A-1". All three are stable.

Cem Karacadag, a sovereign analyst on Thailand for Standard and Poor's, said the country's credit funda-

mentals are stable with fiscal and monetary authorities maintaining conservative policies.

"The Thai Government is expected to register its ninth and tenth consecutive years of cash surplus this year and in 1997, a track record virtually unsurpassed by all highly rated sovereigns except AAA-rated Singapore," he said.

Other positive factors were a low government debt burden of only 4 percent of gross domestic product [GDP] and government assets of about 32 percent of GDP— 12 percent from local bank deposits and 20 percent in central bank reserves. Tax cuts should not affect government revenue as the tax base expands to compensate, he said.

Mr Karacadag said prudent monetary management at the Bank of Thailand has helped keep inflation to an average 5 percent for the past decade.

"Some might question the Bank of Thailand's commitment to price stability, given the upward trend in inflation since 1993. However, monetary policy is constrained by interest-sensitive capital flows, financial sector liberalization and a de facto fixed exchange rate regime.

"Thailand's technocrats have ensured policy continuity, even during periods of political stress and changes in government. As such, we expect that cautious economic policies would not be affected by a dissolution of the (Banharn government) later this year or in 1997."

Banking specialist Peter Sikora said inflation of about 6 percent is among the best of emerging markets and A-rated economies. He said concerns about slowing export growth were premature, as a three-month change was too short to forecast a long-term decline.

Mr Karacadag said Standard and Poor's credit ratings for Thailand were constrained by several factors, including growth of the financial sector.

"At this stage of expansion systemic asset quality could deteriorate over the medium term, possibly leading to a contraction in credit supply, fiscal costs, and a deceleration in investment and growth," he said.

Mr Karacadag said any asset quality management problems would be manageable and have little impact on the government's credit worthiness.

Another point is the country's external balances. What is worrisome is the financing of the current account deficit by external short-term borrowing rather than equity investments. "Net external debt has risen to a still manageable 55 percent of exports, concentrated in short-term securities," he said.

But analysts agreed that even if investor sentiment changes to bring liquidity pressure, the debt would still be manageable. Mr Karacadag said almost all short-term debt of \$49 billion this year is owed by the private sector.

Market competition, an investment gap and the lower costs of foreign currency loans versus baht loans have caused the share of BIBFs [expansion unknown] as a funding source to dominate for several years. BIBFs account for about \$28.6 billion of total liabilities, with foreign BIBFs accounting for about \$18 billion.

"Foreign BIBFs are probably less vulnerable to shifts in investor confidence, as their parent banks are more likely though not required, to stand behind them," said Mr Karacadag.

Mr Sikora said he was confident the Bank of Thailand would continue to provide liquidity support in case of a system-wide shock, such as last year when the collapse of the Mexican Peso caused rumours of a baht devaluation.

Thailand: Planned Domestic Interest Rate Cut Questioned

BK2606143896 Bangkok MATICHON SUT SAPDA in Thai 25 Jun 96 pp 22, 23

[Commentary: "Banhan's Instruction To Cut Interest Rates is a Symptom of His Lost Direction"]

[FBIS Translated Excerpt] The prospect of cutting domestic interest rates became more realistic when Prime Minister Banhan Sinlapa-acha, in his position as chairman of the committee for maintaining economic stability and security, said that an interest rate cut should be considered because the current rates are too high. He reiterated: "I issued instructions to look into this issue some time ago, but no action has been taken so far." [passage omitted]

In any event, Finance Minister Bodi Chunnanon expressed support for cutting interest rates, but noted that a cut must not affect inflation, which the government wanted to keep at 6 percent throughout the year. The inflation projection has been revised upward from the previous target of 5 percent. A cut in interest rates would surely lower the cost for the business sector.

There is, however, a question about whether the Banhan government has lost its direction. It should be recalled that the Banhan government's economic management ability has not received much recognition since coming to power. This picture is compounded by the presence of several questionable people in the cabinet and by Banhan's political position, which is propped up groups of politicians from various factions and interest groups.

It is worth noting that whenever Banhan faces acute political pressure he usually picks up an economic issue to divert attention; therefore, the call for the Bank of Thailand to cut interest rates could be characterized as a loss of direction. Pridiyathon Thewakun, the general manager of the Export-Import Bank feels the call for the cut is just that. He said the decline in export growth early this year is natural, adding that he anticipated that the 18 percent export growth target could be achieved by the end of the year. He said the 18 percent target is appropriate for the Thai economic growth. He added it would be a loss of direction to use the 23 percent export growth rate in 1995 as the reference point. There was never a target that demand growth of export every year. He said an export growth rate below 20 percent is not a problem for Thailand. For example, no one complained when the government under Anan Panyarachun achieved only 16 percent export growth.

Pridiyathon also said that commercial banks cutting interest rates is not the major factor that stimulates the economy, although it helps to cut production cost. Commercial banks adjust their rates according to the prevailing market situation anyway, they do not have to wait for instruction from the central bank. They have to do it to balance their books.

The question is why has Banhan vigorously called for a cut in interest rates, when the national economic trend has not been that good since his government came to power? The inflation and current account deficit pictures are not very impressive either, and although there has been a change in finance minister, overall management has not shown signs of improvement.

The characteristic of the current government is like this: the prime minister makes decisions that involve major economic issues of the economic ministries; ministers of the economic ministries manage their respective agencies and do not coordinate; and none of the deputy prime ministers truly supervises the policies. As a result, confusion reigns and there is no real direction. When a major problem arises, the only solution is to form a new committee to study it on top of the already existing agency concerned with that problem.

The issue of interest rate cuts appears to be an overreaction on the part of Banhan as political and economic pressures mount. What is likely to happen will be similar to the cutting of import taxes on luxurious goods; although there were claims that the cut would generate many benefits, the cut was eventually abolished as it caused excessive negative effects. Perhaps the economy of the current era is too complicated for an outdated man like Banhan to understand.

Thailand: BOT Deputy Governor: 'Tight Monetary Policy' To Continue

BK2706072496 Bangkok BANGKOK POST in English 27 Jun 96 p 17

[Unattributed report]

[FBIS Transcribed Text] The central bank says allowing interest rates to move with the market does not mean it has abandoned its tight monetary policy.

Deputy governor Chaiyawat Wibunsawat said the Bank of Thailand [BOT] made its decision in May after taking into account that inflation had eased since January and would continue to decline.

The bank had three options in monetary policy, he said yesterday.

First, it could tighten the policy and peg interest rates at a high level when it wanted to limit growth in lending by commercial banks. This measure would ease economic overheating and its symptoms of inflation and a widening current account deficit.

Second, it could ease control of economic mechanisms, resulting in lower interest rates. This policy would apply when the central bank wanted to boost the economy and lending.

Third, it could remain "neutral" and not intervene in the market, allowing interest rates to move with liquidity. This would cover the transition between tight and easy monetary policies.

The central bank had now chosen to be "neutral" and would assess the situation in two months, Dr Chaiyawat said.

The money market was better balanced in May as lending had slowed down while deposits and the inflow of capital had increased, he said. Bank lending in the first quarter had also slowed down in line with the economy.

Thailand: Commentary Analyzes 'Crisis' at BOT

BK2706084896 Bangkok THE NATION in English 27 Jun 96 p A3

["From the news desk commentary" by Phana Chan-wirot: "Crisis over BOT's Independence Edges Toward Climax"]

[FBIS Transcribed Text] Several members of the Cabinet on Tuesday staged an attack on the Bank of Thailand [BOT] governor, Wichit Suphinit, on a number of issues which he allegedly had failed to either resolve in a timely manner and for not following the orders issued by political leaders. Such failings, however, deserve some

qualified answers because of the complexities surrounding the credibility of the governor and the central bank.

Three issues appeared to have been laid at the governor's doorstep: his unwillingness to reduce interest rates to help businesses, his failure to detect and act with swiftness over the huge financial problems besetting the Bangkok Bank of Commerce (BBC), and his acquisition of shares in a commercial bank at par value in his capacity as a board member of the bank.

Wichit's position is made more precarious with the recent appointment of Bodi Chunnanon as the new finance minister. Bodi has kept his lips sealed on the future of the governor while nullifying a committee set up to investigate Wichit's conduct over the purchase of shares in the Siam City Bank. It was argued that the committee collapsed with the departure of his predecessor Surakiat Sathianthai.

Bodi, meanwhile, has been demanding as much as a one- to two- percentage point cut in interest rates against the governor's proposal of a steady decline of 0.5 percentage points at a time. Bodi is waiting for a final directive from the prime minister on what to do with Wichit.

Undeniably, the central bank is experiencing one of the most turbulent periods in its history. The wave of politicising hitting the Bank of Thailand surged to an unprecedented height following the controversial Cabinet sacking of its former deputy governor, Ekkhamon Khirawat, at the recommendation of Wichit, at the end of last year. Ever since, opposition MPs, especially from the Democrat Party, have been going after Wichit with a vengeance. These Democrat MPs have not only been brandishing their swords at Wichit but also at the central bank as an institution as witnessed by the level of hostility Bank of Thailand officials have faced when appearing before the House committee on finance and banking.

With revenge on the opposition's mind, Wichit also faces an arduous task of trying to work with a government that neither has the broad vision to understand macro-economic management nor has the patience to work with the system. Prime Minister Banhan Sinlapacha is among the most ill-equipped of them all.

He appointed his former close aide, Surakiat, as finance minister despite his lack of experience. Banhan failed to give Surakiat the political backing on several occasions when such leadership was called for. Surakiat was only able to perform with the help of Wichit on many macro-economic issues which naturally caused the central bank to enter the political limelight.

Although Surakiat had to take the responsibility for many of the errors committed by the Finance Ministry, Banhan publicly and privately put the blame on Wichit in his advisory capacity. Yet the premier still owes a lot to Wichit, who has done Banhan many favours.

But the negative aspects of their complex relationships — initially as a triangle together with Surakiat — have always been seen to be leading in the public eye. The prime minister himself faces serious leadership problems in both political and economic management.

During one of the early Cabinet sessions 10 months ago, Banhan was said to have asked what "inflation" has to do with "rising prices". It was not surprising that he took 10 months to form the so-called "economic board" to give his administration a kind of credibility booster. Again, it was Wichit who helped him form the board because many of the members are acquaintances of his or have a close working relationship with the Bank of Thailand.

It may not be an exaggeration to say that the Bank of Thailand — and not the National Economic and Social Development nor the Economic Committee chaired by Deputy Prime Minister Amnuai Wirawan — has been the de facto guardian of the government during its past 10 months in office.

That role, initiated through personal initiative rather than anything institutional, has exposed the central bank to the harsh realities of back-stabbings, losers-take-the-blame attitudes and other negative consequences, due to the whims and roller-coaster rides inherent in politics. The prime minister is neither strong enough nor, at this time, willing to defend his troops as seen with the forced dismissal of Surakiat to thwart further political casualties.

Such events form the backdrop to the Bank of Thailand's problems and bitterness felt by its officials today. Central bank officials are still in a daze as to the crisis of confidence that has come to dominate their longtime venerable institution? Some have tried to stage a concerted move to oust the governor, only to find that they have no one with the qualifications or skill to replace him. The credibility of the central bank has thus become an equation correlated closely with the politics of the day. The recent qualms over the Bank of Thailand's interest rate policy should therefore not come as a great surprise.

The impression given by critical politicians is that the central bank is at fault because it should either tell banks to lower lending rates or to lower its discount rate as a signal for banks to follow. Politicians do have a point because overseas interest rates have been declining.

Major Thai commercial banks have followed suit but the pace of decline has not been equal.

The argument that the market force should be the sole dictator is not being bought by many people because the central bank's policy can influence the market, which is far from perfect given the loose cartel system of Thai banks. But what is at stake is the process of liberalisation which the Bank of Thailand has adopted to encourage banks to compete in their pricing. Like the way that it intervened to bring down the cost of diesel oil to the fishing industry, the government has resumed its controversial link between politics and oil prices.

Because the prime minister has friends in the property and business sectors, like many of his Cabinet members who own businesses, they feel they have the legitimate right to order the central bank to tell financial institutions that they have to reduce their interest rates.

They have thought little of the credibility of the central bank but rather tried to politicise the already weak governor over declaring his independent stand — which he has little power to enforce or much hope of attaining a majority of public backing.

The Bangkok Bank of Commerce saga may put the final nail in the coffin. There have been supervisory problems surrounding the Bank of Thailand for allowing the amount of doubtful loans to grow to such a huge level, as well as errors of judgment from its governor.

But a closer look at the BBC's loan extension reveals that its lending for takeovers and other related doubtful loans virtually doubled in 1995 — when it was certainly known that some members of the Group of 16 MPs in the Chat Thai government, who are clients of the bank, were set to be appointed to the Cabinet.

Vietnam

SRV: News Conference Held To Announce Party Congress Agenda

BK2706062696 Hanoi Voice of Vietnam Network
in Vietnamese 0500 GMT 27 Jun 96

[FBIS Translated Text] Comrade Hong Ha, chief of the organizing committee for the Eighth National Party Congress, held a press conference in Hanoi this morning attended by reporters from various local and foreign news agencies and radio and television stations.

Comrade Ha Dang, chief of the Party Central Committee's Ideology and Culture Department, attended the press conference.

At the press conference, Comrade Hong Ha said: The eighth congress of the Communist Party of Vietnam,

which will open tomorrow, 28 June 1996, and close on 1 July 1996, has the duty to review the results of the implementation of the resolution of the Seventh Party Congress over the past five years, review the renovation process over the past 10 years, and set forth the objectives, directions, and tasks of the entire party and people in the new stage, with the central tasks being national industrialization and modernization.

The congress will discuss and pass various important documents, such as discussing and passing a political report, the directions and tasks of the five-year 1996-2000 socioeconomic development plan, a report on the amendment of and supplementation to the Party Statute, the revised Party Statute, and a congress resolution.

The congress will elect the Eighth Party Central Committee.

The congress will be attended by 1,198 delegates, including 158 members of the Seventh Party Central Committee. Together with the other delegates, who have been elected in a democratic fashion by the party congresses at various levels, they will represent over two million party members. There will be 710 delegates attending the national party congress for the first time. The youngest delegate to the congress, 28, will be a party member of the Muong ethnic minority, from the Hoa Binh province party organization.

The congress will also be attended by 64 invited guests, who are revolutionary veterans and who represent the people of various strata — celebrities, intellectuals, writers, and artists — and three Vietnam Hero Mothers.

There will be nearly 40 international delegations attending this congress.

At the press conference, Comrade Hong Ha answered many questions raised by local and foreign newsmen on issues related to the Eighth Party Congress.

SRV Army Paper Discusses Renovation

BK2706101296 Hanoi QUAN DOI NHAN DAN
in Vietnamese 24 Jun 96 pp 1, 2

[Article by the 'Party Affairs Correspondents' Group: 'National Defense in the Renovation Undertaking: Achievement and Challenges']

[FBIS Translated Text] In implementing the renovation undertaking under the leadership of the Communist Party of Vietnam (CPV), our country has recorded extraordinary achievements of great significance. Evaluating the achievement in national defense and security, the draft political report issued by the Seventh Party Central Committee to be submitted to the Eighth National Party Congress states: "Against the complicated background

of the current situation, we have firmly maintained political stability and safeguarded our regime as well as the independence, sovereignty, and peaceful environment of our fatherland, thus creating essential conditions for further renovation. This achievement is a comprehensive result of the renovation undertaking, in which national defense and security play an important role." Party congresses of Army units at various levels considered the above evaluation of the party on national defense duties as correct. The evaluation confirms the achievement in the national defense field, and the central role of the Army in the protection of independence, sovereignty, territorial integrity, and political stability. The achievement in national defense and security is the consequence of the contributions of the party, people, and Army as a whole under the leadership of the party and the management of the state.

The achievement in the national defense field was discussed in party congresses of Army units at various levels, the unanimous conclusion being that while implementing the comprehensive renovation undertaking, our party has continually made important progress in national defense and military philosophy. The national defense system has been gradually consolidated. The general quality and combat capacity of the Army have been lifted to a higher level. Supplies to the armed forces have been adequately maintained. The management of the state in the national defense field has been placed in a more comprehensive context and structure. The leadership of the party over the national defense undertaking and the army has continued to be consolidated. These important results confirm the vitally important role of national defense and security.

A result of primary importance is the change for the better in the perception of all the party and people as well as all the sectors and echelons regarding national defense duties. The management role of the state has been actively demonstrated through documents, policies, statutes, and directives, which have brought national defense duties into the people's life.

The party congress of the General Staff Department under the Ministry of National Defense made this profound analysis: Thorough knowledge of new duties and the party philosophy in national defense and military issues have created important conditions for the strengthening of the national defense potential and the building up of a revolutionary people's Army that is well-disciplined, undaunted, and modern. Some of the salient successes are the timely adjustment of national defense strategies, the logical allocation of the armed forces, and the comprehensive defense plans for the country as well as for the territorial regions and core areas, thus creating a

well-coordinated system in the national defense strategies.

Stemming from the new demands, our army has renovated training methods in order to heighten its general quality, combat capacity, and ability in handling different situations. Party congresses of the military corps and military regions asserted: Our national defense potential has been strengthened significantly in the past 10 years, primarily in building up an army steadfast in political acumen and strong in combat capacity, worthy of the responsibility of building up the national defense system and fighting against the "peaceful evolution" strategy and subversive violence. Party congresses of various levels also stressed: While the economic development of our country has still to overcome many obstacles, the strengthening of national defense and military potential is a demonstration of the rule of simultaneous development of national construction and protection.

The national defense potential has not only been strengthened on the national scale but also in each region. Party congresses of provinces and cities asserted: In the war to liberate and protect the fatherland in the past, the armed forces were the pride of the people and well trusted. In more recent years also, the armed forces have always had the trust of the party and the people, and have always remained the core force in the protection of the fatherland and political stability.

The party organization congress of Ho Chi Minh city analyzed the complex situation in the area over the years, saying that thanks to our concentrated efforts to build the national defense and the armed forces; to closely combine national defense and security maintenance; to motivate all the entire people and various mass organizations, sectors, and echelons to improve their sense of responsibility in consolidating national defense; and to carry out unit building, we have been able to firmly maintain political stability and public order and security. The city's economic growth has been made possible due to the meritorious deeds of the entire party and people, with the national defense and security sector playing a very important role. The party organization congress of the 1st Military Region affirmed: Thanks to our thorough understanding of the party's national defense and military lines and of the armed forces' duties and our efforts to renovate our conceptions about unit building as well as about the building of the all-people national defense, we have been able to firmly maintain a stable and peaceful national border. The quality of the troops in the military region has been improved considerably.

At the party organization congress of the Capital Military Region, the delegates unanimously affirmed: By fully understanding and strictly complying with various

resolutions of the Party Central Committee's Military Commission and being fully aware that as the capital plays an important part in the whole country's political security, the military region party committee has promptly concentrated efforts on improving the political quality and the militancy of the armed forces and has been able to create harmonious changes for the better and steadfastness in various areas, thus contributing to ensuring security for the various activities of the party and the state, and maintaining political stability for the capital under all circumstances. The militancy and the capability to carry out the tasks of preventing and opposing "peaceful evolution"- related, rebellious, and subversive schemes have been considerably improved. Together with the armed forces, public security forces, various units of the city and the region have helped discover and settle many incidents promptly and thoroughly. Local agencies have undergone practical changes for the better in terms of their managerial and operational skills.

Representing the intelligence of the party organizations in the entire armed forces, the Sixth Military Party Organization Congress spent a great deal of time frankly discussing and profoundly analyzing the situation. It affirmed: Over the years, under the party leadership and the state management, the armed forces, together with the entire people, have continued to show many new important changes for the better in the areas of national defense and military affairs. The all-people national defense has gradually been consolidated and its quality has been improved more comprehensively. The militancy of the armed forces has been strengthened. This has demonstrated that the armed forces are now steadfast and firm politically, ideologically, and organizationally. It is a reliable and absolutely loyal force of the party, fatherland, and people. It has satisfactorily preformed their national defense and security maintenance tasks under all circumstances, thus making positive contributions to implementing successfully the tasks of maintaining and consolidating the country's political stability, defending the fatherland, protecting the regime and the country's socioeconomic development task. Delegates to the congress emphatically said: To be fully aware of the achievements and the role of the national defense and security sector in the national renovation process, we need to fully understand all the characteristics of the world situation as well as the situation of our country over the past 10 years. Following the collapse of the Soviet Union and other East European socialist countries, the traditional flow of aid from our friendly countries dried up; this was coupled with the U.S. blockade and embargo and with the efforts of various hostile forces to collude with one another in their fierce attacks and "peaceful evolution" maneuvers against us with the hope

of bringing Vietnam to its knees. Meanwhile, Vietnam's economy encountered countless difficulties — stagnant production, poor income, inflation, and the laboring people's worsening social welfare. Nevertheless, our national independence was firmly safeguarded and political stability maintained. Our country continued to stand on its feet and develop.

The delegates of the grassroots party congresses and the All-Army Congress clearly recorded achievements and accomplished tasks. They also directly and strongly pointed out various problems and causes for the unaccomplished tasks such as vagueness and a lack of vigilance concerning ideological awareness by some cadres, party members, and people. The all-people defense system and the all-people defense front have not been consolidated in a complete and strong manner. The combined quality of all the armed forces is, in some aspects, not reaching the level necessary for their duties.

These problems exist because awareness of the two strategic duties of national construction and protection and the combining of the economy with national defense is not thorough enough or well-balanced in some levels, sectors, and localities due to the limited logical and practical knowledge of many party cadres and members of the armed forces. Some cadres working in various sectors, state organs, and party organizations have not thoroughly understood the new thinking on national defense and security. They lack vigilance against the conspiracies and sabotage activities of the hostile forces. They have not fully realized and satisfactorily carried out their function and duty in respect of national protection.

The achievements in national defense over the past few years are requisite for the entire party, people, and Army to enable a continued consolidation and enhancement of our potentials in national defense and to lead our armed forces into a new era of industrialization and modernization. After seeking to reach unanimous evaluations through discussion of the achievements and problems and analyze the causes of these problems, the party congresses at all levels, particularly the sixth All-Army party congress, discussed the issues relating to national defense and military duties in the coming period. One of the issues relating to the execution of the national defense work and the military duty concerns the special characteristics of our national situation and the world situation, especially the four dangers. The party congresses at all levels unanimously agreed on the four dangers indicated by the Mid-Term National Party Conference (January 1994): The danger of lagging further behind economically, the danger of deviation, the danger of corruption, and the danger of "peaceful evolution," which is still a major challenge.

These dangers are closely linked and stimulate one another. They are all dangerous and directly affect our national independence and socialism. We cannot treat any of these dangers lightly. Therefore, the class struggle and the national struggle are still going on in a very determined and fierce manner. The imperialism and reactionary forces are earnestly implementing the strategy of "peaceful evolution" and attacking us in all directions, in the realms of politics, ideology, culture, national defense and security, and so forth, to denounce Marxist-Leninism and the Ho Chi Minh thought and deny the leadership of the Communist Party of Vietnam over our revolution. The outside hostile forces have also tried every way to link with inside reactionary elements and with people with incorrect and unbalanced political views to oppose our party and exploit our weaknesses and shortcomings to denounce the party. Corruption, degradation, deviation, and decadence in life — which are fertile soil for the flourishing of antigovernment ideas — have also been exploited by them.

The enemy clearly knows that our Army is formed, trained, and forged by the party and Uncle Ho; that our Army is absolutely loyal to the party's goal and idealism and ready to fight and sacrifice for national independence and socialism; and that our Army is a trustworthy force protecting the party, regime, and people. Therefore, external hostile forces are working with reactionary elements to find every way to ideologically and organizationally oppose and sabotage our Army and all sorts of propaganda tricks to divide the Army-people unity and detach the Army from the party leadership before depoliticizing it. Preventing, resisting, and defeating the "peaceful evolution" is the important duty of the Army in the coming period. Together with the entire party and people, our Army has greatly contributed to firmly protecting the regime, maintaining political stability, and creating a peaceful atmosphere for the implementation of industrialization and modernization. Citing vivid examples, the party congresses in different military regions profoundly analyzed the strategy of "peaceful evolution," which has been outlined in a very practical way by the hostile forces, especially on the political and ideological front. Their form and method of execution are very sophisticated and shrewd, starting with measures to etiolate the idealist goal of socialism, entice unrest, create internal disunity, inspire "internal evolution" with external catalysts, and combine violence with subversion to undermine the regime. "Peaceful evolution" is real and it is not a product of the imagination as assumed by party members who are confused and lack vigilance. The delegates clearly and directly pointed out: Vagueness and lack of vigilance on the part of cadres who do not realize the danger of "peaceful evolution" have led to mistakes in thinking and action. Some peo-

ple hold that merely building a strong economy will win over the "peaceful evolution." This is clearly wrong and dangerous. "Peaceful evolution" occurs in all fields, and at present it is concentrating mainly on the ideological and political field. When we are not firm and determined in the face of complicated changes and when we do not clearly realize the direct danger to national independence and socialism, we are prone to their exploitation and bribery. The party congresses of the Ho Chi Minh City military command, the Seventh Military Region, and the Capital Military Region analyzed regions and politico-social centers that are key targets for fierce opposition from and sabotage by the hostile forces. Despite their achievements, our armed forces still suffer from shortcomings and errors. The enemy has exploited these shortcomings to launch its propaganda.

These party organization congresses affirmed: To foil the "peaceful evolution" strategy, we must build up solid political acumen in party cadres and members and improve the combat readiness of the armed forces. This is both a routine and urgent task. It is necessary to strengthen the integration of the armed forces by building up political acumen, heightening vigilance, providing training to the three categories of troops, and building an all-people's national defense and the people's war-related combat array. In addition, it is necessary to take the initiative to counterattack enemy propaganda and their opposition and subversion of the revolution, or their attempts to disturb our public order and security.

The party organization of the Vietnam People's Army General Staff and agencies under the Ministry of National Defense, and the party organization of agencies under the Political General Staff are profoundly aware of enemy maneuvers against our national independence and socialism as well as of the heavy mandate of the armed forces. They have analyzed the direct impact of the "peaceful evolution" strategy on the armed forces' mandate, and regard the fight against it as a fierce class struggle. They say that in this national struggle, not only will we have to engage in a combat of wits, but also will have to be ready to foil all attempts against the party and regime. Together with the entire people, the armed forces will play a core role in this tough and fierce struggle. To prevent, oppose, and defeat the "peaceful evolution" strategy, we must first mobilize the integrated strength of our entire political system and intensify indoctrination for the entire party, people, and army, so that they can be fully aware of the danger of the "peaceful evolution" which adversely affects every area of our society.

Meanwhile, we must develop the economy and make the people prosperous if we are to build a strong national

defense potential. As for the armed forces, it is most important that they must be absolutely loyal to the socialist ideal, the party, and people. They must remain united around the party Central Committee, have a high degree of unanimity, and be determined to correctly comply with party lines and viewpoints. Along with building the army into a politically steadfast force so it can play a core role in revamping the militancy of the armed forces, it must conduct training exercises in accordance with various combat plans and situations. It must closely cooperate with various sectors and echelons and localities as well as with those who are the eyes and ears of the entire people so that it can, under all circumstances, deal promptly and accurately against enemy sabotage.

We must successfully mobilize the strength of the entire party, army, and people and the entire political system in the struggle to foil the enemy's "peaceful evolution".

Along with deeply analyzing and clearly defining the exclusively important mandate of the armed forces in preventing and fighting "peaceful evolution", many party congresses have also analyzed the danger of deviating from that direction. The party congresses of the 3d, 4th, and 7th Military Regions maintained that the danger of straying can be seen from various angles, ranging from the definition of the policies and measures to work implementation. Proceeding from the analysis of the danger of "peaceful evolution" and the danger of straying, the Sixth All-Army Party Congress has clearly defined army duties. These are firmly defending national independence and sovereignty and territorial integrity, protecting the people, the party, and the socialist regime, and contributing duly to maintaining national political stability, while playing a core role in the struggle of the entire party and people to defeat the "peaceful evolution" strategy and to foil rebellious and subversive schemes. Again, all the party congresses at various levels in the armed forces have affirmed that now more than ever, we must build a politically steadfast army, ensure that our army will be always loyal to the party, state, and people and that it will serve as a reliable force to protect the party, people, and socialist regime as well as the cause of national industrialization and modernization.

SRV: Agriculture Minister, Iranian Envoy Discuss Cooperation

*LD2206135896 Tehran IRNA in English
1337 GMT 22 Jun 96*

[FBIS Transcribed Text] Kuala Lumpur, June 22, IRNA — Development of trade relations between Iran and Vietnam were discussed at a meeting between Iranian ambassador to Hanoi, Kamal Sajjadi and Vietnamese

minister of agriculture and food industry, Nguyen Cong Tan, on Saturday [22 June].

At the meeting, various aspects of relations between the two countries, including bilateral cooperation in industrial and infrastructure projects were reviewed.

Nguyen Cong Tan, who also co-chairs the Iran-Vietnam joint commission reviewed the topics on the agenda of the upcoming meeting of the commission with Sajjadi.

Referring to Vietnam's good and friendly relations with Iran, the Vietnamese minister said that there was no hindrance to the expansion of bilateral relations.

He said the Vietnamese Government was keen on promoting her cooperation with the Islamic Republic of Iran in various fields.

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